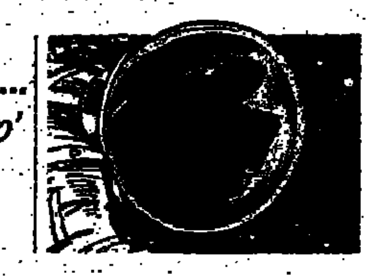
FINANCIAL TIMES

US telecoms

The FCC 'road map' after Ameritech



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Mir as metaphor

Lost on earth, as well as in space

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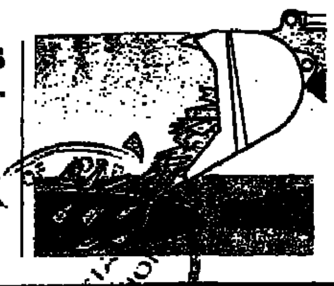
Protecting plants

Protein warfare against larvae

Technology, Page 6



Shaky foundations

Debt woes for Japanese construction groups

Page 13

World Business Newspaper http://www.FT.com THURSDAY AUGUST 21 1997

Rhône-Poulenc raises its price for US company Rorer

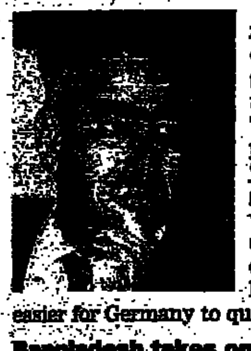
French chemicals group Rhône-Poulenc has been forced to raise the price it is paying for the 31.9 per cent of US drugs company Rhône-Poulenc Rorer it does not yet own by about FFr2bn ($320m). The company said it would offer $97 a share compared with an original figure of around $92. Page 11

Swiss and FBI stage office raids: The *international pursuit of convicted stock fraudster* Irving Kott has resumed in Basel and Beverly Hills with synchronised raids by the FBI and Swiss police on the offices of discount broker J.B. Oxford. The FBI said the seizure of documents related to a "white-collar crime investigation". Page 10

Polish coalition splits: Poland's coalition government looks set to collapse four weeks before parliamentary elections, after junior members of the Polish Peasant party tabled a motion of no confidence in prime minister Wlodzimierz Cimoszewicz. Page 2

Gyll takes over at Pharmacia & Upjohn: Troubled Swedish-US drugs company Pharmacia & Upjohn has replaced its chairman Jan Ekberg with Sören Gyll, former chief executive of Swedish automotive company Volvo. Page 11

Waigel to quit German Finance Ministry



Germany's finance minister Theo Waigel (left), often the scapegoat for Bonn's difficulties, has told German TV that he is not prepared to serve in the job beyond next year's general election. Meanwhile German officials disclosed that a statistical windfall from the EU should make it easier for Germany to qualify for Emu. Page 2

Bangladesh takes on EU: Garment manufacturers in Bangladesh – who export more T-shirts to Europe than anyone else – say they face bankruptcy because of a dispute with the EU over access for their products. Page 10

New SSGA investment chief: State Street Global Advisers, the third-largest US asset manager, has appointed London-based Briton Alan Brown as chief investment officer, in a move emphasising its expansion plans. Page 11

Iranian cabinet approved: Iran's parliament, the Majlis, has given blanket approval to President Mohammad Khatami's new 22-member cabinet. Their ratification of his choices has to be formally endorsed by Iran's 12-member Council of Guardians. Page 4

Zhu tipped as China Bank head: China Everbright's chairman Zhu Xiaohua has emerged as a candidate to succeed Dai Xianglong as governor of the People's Bank of China. Mr Zhu is a protégé of Zhu Rongji, China's vice-premier in charge of the economy and the frontrunner to succeed Li Peng as premier. Page 5

First Union acquisition: US commercial bank First Union has joined the trend for retail banks to buy brokerages with its $471m acquisition of Wheat First Butcher Singer of Richmond, Virginia. Page 11

Glittering figures from Normandy: Australia's largest gold producer Normandy Mining reported record annual profits of A$123.5m (US$91.2m), thanks largely to lower production costs. The figure represents a 24 per cent increase over the previous year. Page 14

Taiwan PM steps down: Taiwan's premier Lien Chan is to step down, paving the way for a cabinet reshuffle later this month. Mr Lien will keep his largely ceremonial post of vice-president. Page 5

Chile publishes defence paper: Chile's civil society has scored a quiet triumph with the publication of a "white paper" on defence, a first for Chile, and for Latin America. The six chapters in the paper range from a debate on the definition of war to Chile's growing economic interdependency with its neighbours. Page 3

HK plans new election rules: Hong Kong's government has put forward new election rules for the post-colonial Legislative Council, amid opposition claims that they will curb democracy in next year's elections. Page 5

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STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7,944.35	(+26.25)
NASDAQ Composite	1,615.97	(+15.26)
Europe and Far East		
CAC40	2,979.27	(+43.11)
DAX	4,223.43	(+53.81)
FTSE 100	4,958.4	(+44.2)
Nikkei	18,252.23	(+291.23)

US LUNCHTIME RATES

Federal Funds	5 7/8%
3-mth Treas Bills: Yld	5.218%
Long Bond	97 1/2
Yield	6.54%

OTHER RATES

UK: 3-mo Interbank	7 7/32%	(7 1/8%)
UK: 10 yr Gilt	101 13/32	(101 1/4)
France: 10 yr OAT	99.79	(99.97)
Germany: 10 yr Bund	102.82	(102.98)
Japan: 10 yr JGB	106.9974	(106.9226)

NORTH SEA OIL (Argus)

Brent Dated	$18.775	(18.93)

GOLD

New York: Comex		
Aug	$321.3	(323.0)
London:		
close	$322.25	(323.05)

DOLLAR

New York: lunchtime		
£	1.592	
DM	1.85535	
FFr	6.2485	
SFr	1.52615	
Y	118.085	
London:		
£	1.5925	(1.6062)
DM	1.8586	(1.8364)
FFr	6.2545	(6.1862)
SFr	1.5266	(1.5141)
Y	118.1	(118.195)
Tokyo close:	Y 118.55	

STERLING

DM	2.9598	(2.9496)

9 770174 736142 34

Rocket launch boosts China's space industry

By James Harding in Shanghai and John Ridding in Hong Kong

China yesterday successfully launched its first Long March 3B rocket, restoring confidence in its domestic space industry after several failed satellite launches in the past two years.

The Xichang Satellite Launch Centre reported that the China-made rocket had put the Philippines' first communications satellite into orbit early yesterday morning.

The satellite is owned and operated by the Mabuhay consortium, headed by the Philippine Long Distance Telephone (PLDT) company, the former telecoms monopoly. It also includes China's Everbright group, Indonesia's Pacific Satelit Nusantara and other Philippine companies.

PLDT shares in Manila jumped 40 pesos, almost 5 per cent, on news of the successful launch.

On its maiden voyage last year, the Long March 3B, China's most advanced satellite launcher, veered off course within seconds of take-off and crashed back to earth destroying the $150m satellite on board and causing serious casualties on the ground.

The disaster was one of a series of errors in the Chinese space programme that have pushed up insurance premiums on Chinese launches and thrown doubt over the future of China's commercial satellite launch business.

"The successful launch is of great significance in promoting China's space technology, further expanding international business and serving the development of the national economy," China said.

"So far everything has gone great," said a representative of Loral, which made the $170m satellite sent into space yesterday.

Regional satellite operators said the launch confirmed that China's space industry was back on track. "This removes the last obstacle to our launch," said Brian Lo of APT, the Hong Kong-based satellite operator, referring to the Apstar 2R satellite, which is the next launch booked for the Long March 3B and is expected by the end of next month.

"This is likely to mark the arrival of another viable launch option," one industry executive said, referring to the crowded schedules for other heavy-lift vehicles such as Russia's Proton and Ariane of France. "The Chinese failures had a knock-on effect, making it hard to get a launch."

The Mabuhay satellite was China's 12th commercial launch. Including Apstar 2R, a further three commercial satellite launches from China are planned this year.

Mabuhay is understood to have paid about $240m for the launch, which it says is half the price of a launch from the US. Officials from Great Wall Industries, the state-owned manufacturer of the Long March rockets, acknowledge that they will need a series of successful launches to allay residual fears, but are seeking to attract international customers with low prices.

In the mire, Page 9

Chirac in warning on creation of public jobs

By David Owen in Paris

Jacques Chirac, the Gaullist French president, yesterday warned the Socialist-led government against "a massive creation of permanent public jobs" as a bill implementing some of the Socialist party's youth employment promises was presented in Cabinet.

In remarks which underlined tensions between the president and government within days of the end of the summer break, Mr Chirac said France already had "the record among leading industrialised countries for the number of jobs financed out of public resources".

Private jobs should be the preferred way of reducing France's high unemployment, he said. But the president stopped short of criticising the principles behind the bill, acknowledging that youth employment was "clearly the priority of everybody".

"One cannot but approve of the inspiration behind this bill," he said. The measure would "have a tendency to make new activities emerge – activities that responded to unsatisfied needs to create jobs for young people".

He made his comments as Lionel Jospin, prime minister, appealed to the government's "natural partners" to commit themselves to employing young people so that the measures were "even more effective in the fight against unemployment".

Mr Jospin's Socialists promised in their recent election campaign to create 700,000 "real" jobs in the public and private sectors. This pledge is thought to have played an important part in the left's unexpected victory.

More than 3m people are out of work in France. The cumulative rise in the number of jobless in May and June has reached nearly 50,000.

Yesterday's bill aims to create 350,000 public sector jobs for young people over the next three years. Ways to achieve the creation of a further 350,000 jobs in the private sector are expected to be discussed by the government, companies and unions at the end of next month or the start of October.

Dominique Strauss-Kahn, the finance and industry minister, has disclosed that the government is considering waiving a temporary rise in corporation tax for companies that give undertakings on investment and job creation.

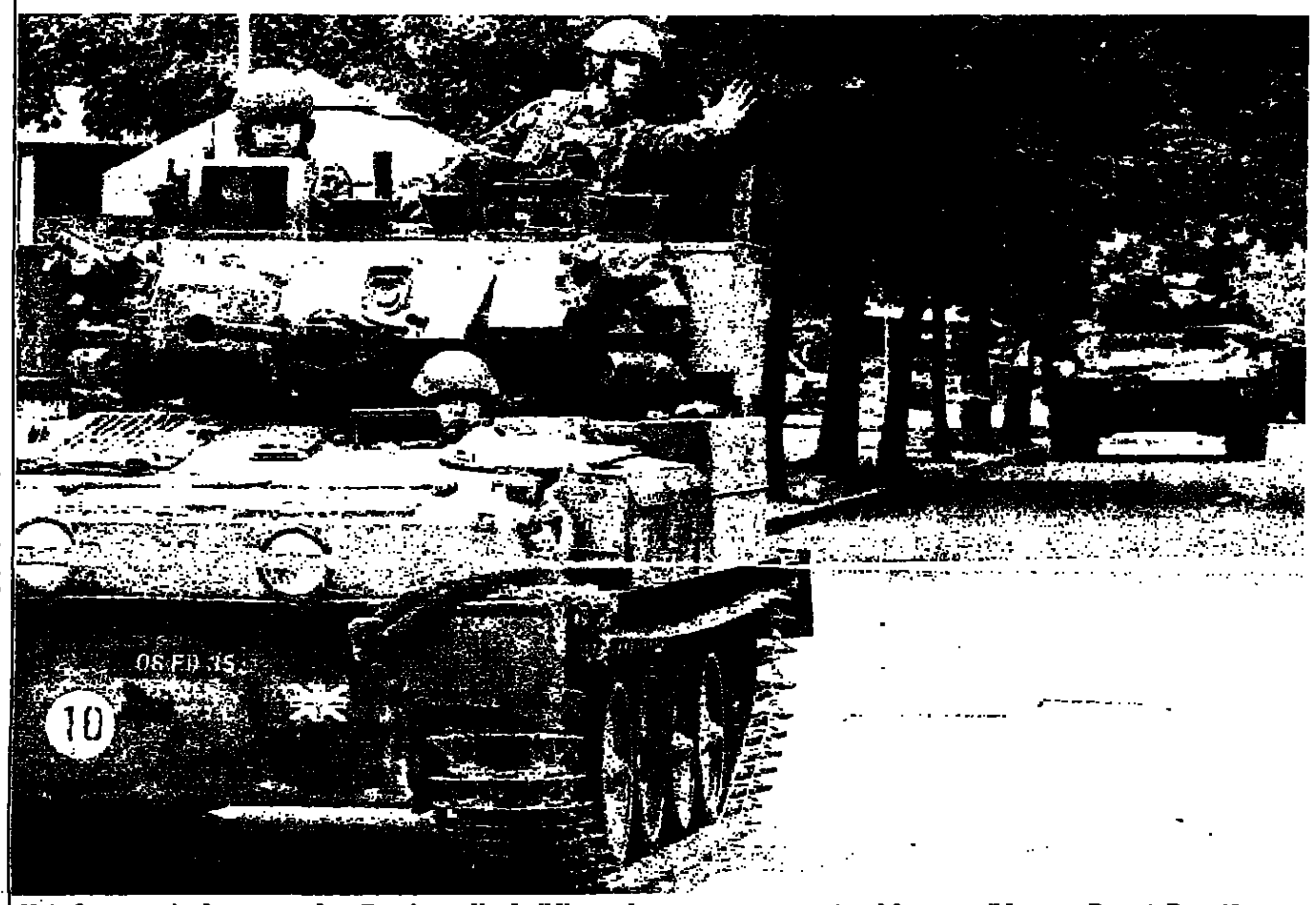
Martine Aubry, employment and solidarity minister, said the government's plan was essential to restore hope to France's disillusioned youth.

She said the annual cost of

Continued on Page 10

EdF to lift capital, Page 2

Nato troops seize weapons for Bosnian 'coup'



Nato forces yesterday swooped on Bosnian police buildings where weapons were stored for a possible coup. Report, Page 10 Reuters

US trade gap narrows to $8.2bn

By Leslie Crawford in Washington

The US trade deficit in goods and services narrowed to $8.2bn in June from a revised $9.5bn in May. Imports shrank for the first time in eight months and exports climbed to an all-time high of $78.4bn.

The smaller-than-expected deficit confounded economists, who had expected imports to continue growing because of the strength of the US economy and the dollar.

The performance of exports is likely to bring an upward revision of the US economic growth rate in the second quarter. Carol Stone, deputy chief economist at Nomura Securities in New York, said she had revised her estimate of second-quarter GDP growth from 2.2 per cent to 3 per cent.

In the first half, US exports increased by 9.4 per cent, while imports were up 9 per cent. The trade deficit totalled $55.5bn, the largest imbalance in nine years. But increased sales to Canada, Mexico and Latin America, where exports grew by 20 per cent in the first six months, are leading some economists to predict a better trade outlook for 1998.

William Daley, commerce secretary, said: "The trade deficit has been larger thus far this year," he said, "but upon close examination this

Continued on Page 10

Crustacean imports stick in the Louisianan craw

By Nancy Dunne and Stella Burch in Washington

A row over the fair price for crawfish – the main crustacean ingredient of Louisiana's Cajun gumbo stew – is coming to the boil, having pitted an alliance of US protectionists, free-traders and at least one top chef against China's small family enterprises.

The International Trade Commission, an independent US government agency, is due to rule on August 29 whether or not cheap Chinese imports of crawfish have harmed the US industry. Louisiana has thrown its weight behind the defence of the industry. The legislature produced $450,000 for legal fees to pay lawyers to bring a dumping case against the Chinese companies.

Last month, the state even sent its most famous chef, Paul Prudhomme, to serve up a traditional Cajun crawfish for commissioners, staff and attorneys attending the final hearing on the dumping petition. Mr Prudhomme pronounced the US product far superior to China's frozen crawfish tail.

Whatever the outcome of the case, Chinese exporters have already suffered a heavy blow.

In March, the US Commerce Department, which rarely finds against the domestic industry, said Chinese crawfish were indeed being sold below fair market value. This required the deposition of large bonds to compensate for the alleged unfair trade. The department deemed China to be a non-market economy and then constructed a "fair market price" based on prices in Spain. This has raised tail meat prices from a low of $2.25 a pound to $5, a triumph for the Louisiana Department of Agriculture and Forestry which helped bring the case.

The crawfish controversy looks different on the other side of the Pacific. According to Mr Steven Lehad, attorney for the respondents, the Chinese industry was developed with the help of Louisiana importers to meet demand. Before then, crawfish were regarded as being of little value.

The harvesting of wild crawfish has become a prime example of fledgling capitalism in China, encouraging small family enterprises to enter the global marketplace.

By contrast, crawfish farming is big business in Louisiana. It is a $300m industry and the US tail sector says it came close to collapse as Chinese exports rose from 353,000 pounds in 1992 to 5.5m in 1996.

Last year, Pat Buchanan, seeking votes for the Republican presidential nomination, called the Chinese imports a scandal. "We're going to put a 50 per cent tariff on those communist crawfish," he told an irate fish farmer. "It's more of this foreign trade boondoggle, more of this globaloney that is taking American jobs, destroying American industries, while the foreigners sit back and laugh at us."

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Statistical agency tells Bonn to exclude hospitals' debt from calculations of public sector deficit

Germany set for unexpected windfall

By Ralph Atkins in Bonn and Michael Smith in Brussels

A statistical windfall from the European Union should make it easier for Germany to defy expectations and qualify exactly for European monetary union, German officials disclosed yesterday.

They said that Eurostat, the EU's statistical agency, had ordered Bonn to exclude hospitals' debt from official calculations of Germany's public sector deficit. The change could cut as much as 0.2 percentage points from this year's deficit, ensuring Germany meets exactly the 3 per cent target set out in the Maastricht treaty on European economic and monetary union.

The revelation comes as a boost for Helmut Kohl, the chancellor, who, under pressure from conservative allies, has said Germany must achieve a deficit of exactly 3.0 per cent or below to qualify for the euro.

If Germany were to meet the 3.0 per cent criteria exactly, it would strengthen Mr Kohl's hand in negotiations over other possible entrants and could increase the chances of a narrow membership, excluding countries such as Italy.

The finance ministry is working on a fresh deficit forecast to be released next month. In March, the government forecast a deficit for 1997 of 2.9 per cent, but higher unemployment and lower tax revenues than expected have thrown that projection into doubt.

The change in the treatment of public hospitals' finances will reduce the need for significant upward revision, and the finance ministry repeated yesterday that Germany had a "good chance" of achieving 3 per cent.

Under the Eurostat ruling, some DM5bn ($2.7bn) of hospitals' debts will be regarded as coming under the private sector, and will therefore not be included in the Maastricht calculations.

The ruling may also help other countries, but in Germany's case its justification is understood to have been the structure of the country's health system, by which insurance funds buy services from hospitals which, in effect, act as private institutions.

The ministry said the change could not be construed as "creative accounting", because Eurostat had asked for the rule change to ensure consistency across Europe. The European Commission said Eurostat acted independently as a specialist, technical body. Neither the Commission nor Eurostat were able to confirm whether hospital debt would be excluded for the purposes of Maastricht.

Details of the latest change follow this week's report from the Paris-based Organisation for Economic Co-operation and Development, which forecasts a 3.2 per cent deficit this year but said 3 per cent was "well within the range of normal statistical revision".

The Federal Statistics Office in Wiesbaden is due next month to present revised economic statistics for the German economy which could alter figures for 1996. Other factors might have further positive effects this year. These include the treatment of EU agricultural subsidies which, under German practice, are channelled through government accounts.

Yeltsin chides media chiefs

By Chrystia Freeland in Moscow

Boris Yeltsin, the Russian president, lashed out yesterday at two of the country's most powerful media bosses, in a sign that the Kremlin's once cosy relations with the top television networks have chilled.

The immediate cause of dispute was an allegation that Chechen government officials were behind recent hostage-takings in the breakaway region. But the rift appeared to have its roots in a long-running battle over privatisation. The conflict put Mr Yeltsin in the bizarre position of defending Chechen separatists, against whom he waged a fierce war just a year ago. But it could foreshadow a far more critical attitude to the government in the Russian media.

At a meeting of Russia's Security Council, Mr Yeltsin chided Igor Malashenko, president of the privately owned NTV television station, for claiming earlier this week that Chechen officials were responsible for the kidnapping of three NTV journalists. "The Caucasus is a complex region and we cannot allow...people like Malashenko to start press conferences by offending the Chechen leadership," Mr Yeltsin said.

The president's remarks were in contrast to the Kremlin's effusive gratitude to Mr Malashenko after last year's presidential elections. Mr Malashenko played a key role in Mr Yeltsin's campaign team.

Boris Berezovsky, deputy head of the Security Council and a former businessman who exerts great influence over ORT, the state-owned television company, also came in for a presidential tongue-lashing. "It was not necessary to stir up the mass media," Mr Yeltsin said, criticising Mr Berezovsky for backing NTV's allegations about Chechen involvement in the kidnappings. The accusations were made public at an embarrassing time for Mr Yeltsin, who on Monday had held a cordial meeting with the Chechen leader, Aslan Maskhadov.

Observers believed the timing was not accidental, attributing the imbroglio to a lingering dispute over privatisation. Mr Berezovsky and Vladimir Gusinsky, owner of NTV, clashed with the government's liberal wing last month after two contentious privatisation deals. "Berezovsky and Gusinsky will always remain loyal to the president, but they are now in a deep conflict with Chubais and Nemtsov," said a leading Russian banker.

Danes get another chance to put brakes on Europe

"If the voters reject the Amsterdam treaty, Denmark will have no alternative but to leave the EU," thunders Uffe Ellemann-Jensen, leader of the opposition Liberal party and Denmark's foreign minister from 1982 to 1993.

"So what are we waiting for?" came the reply in a reader's letter to a Copenhagen newspaper.

Twenty-five years after it decided to join the European Union, another round in Denmark's perpetual debate about membership is under way. This time it is in preparation for a referendum on last June's Amsterdam treaty. The vote will probably take place next spring.

The referendum will be watched with intense interest not only by other EU member states but by east European applicant states whose membership negotiations would be held up if the Danes rejected the treaty. The document cannot come into force until it is ratified by all 15 EU members.

Opinion polls indicate that between 30 and 40 per cent of voters do not yet know how they will vote. Among those who have a view, the balance is virtually 50-50.

The history of Denmark's referendums on the Maastricht treaty is evidence enough that a vote in favour of Amsterdam cannot be taken for granted even though there is majority support in the Folketing (parliament) for the treaty, just as there was for Maastricht.

In 1992, the Danish electorate sent Europe into shock when it turned down the Maastricht treaty. But after Denmark obtained opt-outs from important aspects, including the single currency, the defence aspects of common foreign and security policy, and immigration and police co-operation, the voters approved it in a second referendum in May 1993.

The prime minister, Poul Nyrup Rasmussen, who heads a minority government of his Social Democrats and the small, centrist Radical party, argues that the Amsterdam treaty contains improvements which are in Denmark's interests. He lists chapters on the environment, employment, openness, fighting corruption and, not least, the commitment to east European expansion.

Will they do it again? Copenhagen voters celebrate after the 1992 referendum rejected the Maastricht treaty. Next year they give their verdict on the Amsterdam agreement AP

Many other EU politicians would add that the Amsterdam treaty turned out to be a rather modest document conspicuously short on grand projects for close political integration. However, Holger Nielsen, leader of the leftwing Socialist People's party (which advocated a No in 1992 but a Yes in 1993), is urging a vote against Amsterdam, claiming the government will be able to obtain a renegotiation.

Frank Dahlgaard, a Conservative party backbencher, who is becoming a thorn in the side of his leader, Per Stig Moeller, argues that a No "will stop the march towards a United States of Europe".

"The perspective which lies ahead in the present development of the EU is the abolition of Denmark as an independent state," he said.

Mr Nyrup Rasmussen told a party meeting this month that a No would plunge Denmark "into an unpredictable and deeply chaotic situation". A renegotiation of the treaty, he said, was "completely unrealistic".

Mr Ellemann-Jensen, the most articulate and pugnaciously pro-European Danish politician, says that rejection of Amsterdam would force Denmark out of the EU.

He reminds voters that although Denmark got its opt-outs in 1992, there was no renegotiation of Maastricht. Renegotiation of the Amsterdam Treaty was not an option, he said: "And there is nothing in it from which we can opt out."

Denmark, with 5.2m people, cannot hold up the EU's expansion, he argues. If its situation became so untenable that it had to withdraw, the best the country could hope for would be an agreement along the lines of Norway's under the terms of the European Economic Area treaty between former European Free Trade Association (Efta) non-members and the EU.

Accounting for the continued doubt about EU membership is not easy. Economically, the EU has benefited Denmark, especially by keeping open a large market for its agricultural products. But there are deeply emotional objections to the power of Brussels and to the limitations on the legislative powers of the Folketing.

There is also irritation at regulations coming from Brussels, suspicion of the Catholic countries of southern Europe, and fears, as articulated by Mr Dahlgaard, that it is all going to get worse.

Opposition is strongest among women and supporters of leftwing parties, while young men tend to favour the EU. In the party political line-up, the parties of the far left and far right are against, while at least four-fifths of members of the present Folketing, representing the parties of the moderate right and left, are in favour.

Hilary Barnes

Grain row hits Polish coalition

By Christopher Bobinski in Warsaw

Poland's coalition government looked set to collapse yesterday, a mere four weeks before parliamentary elections, after the Polish Peasant party (PSL), the junior partner, tabled a motion of no confidence in Wlodzimierz Cimoszewicz, the prime minister.

The PSL put forward its motion after the government refused to accept the Peasants' plan for prepayment on this harvest's grain deliveries. Waldemar Pawlak, the dour, 38-year-old PSL leader, charged that Mr Cimoszewicz was ignoring the plight of farmers.

Poland has imported more than 3m tonnes of grain in the past 12 months, and high grain stocks mean that farmers are unable to sell grain harvested this year.

Mr Cimoszewicz, a member of the reformed communist Democratic Left Alliance (SLD), accused the PSL yesterday of mounting a "pre-election spectacle" in which the grain issue was a mere "pretext". He said the motion meant that the coalition, which has governed the country since the last election in 1993, had *de facto* come to end.

Mr Cimoszewicz's strident tone signalled that he wants to use the row to eliminate the PSL as a potential post-election coalition partner for the SLD. The prime minister is thought to be a supporter of a post-election alliance with the pro-reform Freedom Union, a Solidarity-based group led by Leszek Balcerowicz, a former finance minister.

However, in a bid to maintain the coalition while weakening Mr Pawlak, the SLD yesterday kept up efforts to try and get the motion withdrawn.

Jozef Oleksy, an SLD leader, said that the coalition would have collapsed only once the PSL's ministers in the cabinet had voted for the motion in parliament next week. The SLD has 11 cabinet seats while the PSL has seven.

The motion has little chance of success as the PSL has a mere 127 seats in the 460-seat parliament, and none of the larger opposition groups have said they will back the farmers. The SLD has 169 seats.

For his part, Mr Pawlak is telling his farming constituency, which makes up around one-third of the electorate, that the PSL is determined to back its interests. In the last election, the PSL won 14 per cent of the national vote. It is at present getting about 10 per cent support in the opinion polls.

EdF in move to triple capital

By David Owen in Paris

Electricité de France, the French state-owned electricity group, looks set to triple its capital and reserves by the simple expedient of securing unequivocal ownership of an asset which the government says the company owns already.

This follows the presentation yesterday in cabinet of a bill ratifying accounting reforms provided for in an agreement between the company and the state earlier this year.

If this bill is adopted unamended by parliament, EdF's ownership of France's electricity grid will be confirmed, removing the "legal ambiguity" that is said to exist.

Such a move would allow the company to release billions of francs of provisions built up over the years against the entirely notional risk of the state withdrawing its current concession.

This, plus a string of related balance-sheet adjustments, will enable the company to increase its capital and reserves from FFr24bn ($3.8bn) to FFr79bn ($12.7bn).

This compares with overall assets at the end of 1996 of more than FFr690bn.

The adjustment is felt to be necessary as a way of better reflecting the true position of the company and bolstering its credibility to international investors.

The planned changes would in effect, make the company liable to pay corporation tax on profits earned in 1997 and thereafter. This is because they would result in the cancelling out of more than FFr20bn in tax carry-overs from losses made in previous years.

Under the agreement between the company and the state covering the period between 1997 and 2000, EdF will also pay an annual 3 per cent on its capital contributions, which stand to increase from FFr36.6bn to about FFr50bn under the changes outlined above.

This would be down from an annual rate of 5 per cent previously. It will also pay a "dividend" of 40 per cent of post-tax profits.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maravigna, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254. Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping

Editor Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL
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Pensions boost for financial markets

By Bertrand Benoit and Matej Vipotnik

Investment activities of the funds should increase market depth and promote an equity culture

For central and eastern European governments, one attraction of pensions reform is that the creation of new private pension funds should give a boost to underdeveloped financial markets.

Funds' investment activities should increase market depth by boosting volume and promoting an equity culture. Latvia, aiming to be a big regional service-provider, is considering pension reform primarily as a way to establish a world-class financial market. Poland is reforming its state pensions system out of necessity. Yet by financing reform through privatisation, the move will have a strong impact on financial activity.

The funds should improve transparency and raise standards of corporate governance by focusing on long-term investment. The experience of advanced industrial countries suggests pension funds have encouraged development of monitoring structures, ultimately reinforcing the soundness of financial markets.

This is related to funds' portfolio structure, with the best results achieved by those investing in equities, as in the US and UK.

World Bank simulations of Hungarian reforms found these would streamline the pensions system and accumulate capital, up to 15 per cent of gross domestic product in 2010. These savings will become available to local companies and benefit economic growth.

For investment funds to operate normally, market infrastructure must meet certain criteria, such as a working settlement system ensuring trading fluidity. The banking sector must be well-regulated, and there should be an active market in government securities with long-term maturity.

In Romania, the two existing funds have had little activity since their creation in 1993. In the past, the World Bank has insisted on the need for private funds and market infrastructure to develop hand in hand.

Hans Peter Lankes, chief economist at the European Bank for Reconstruction and Development, says: "In general, as the magic formula about when exactly to introduce funds has not been found, I would advise caution."

Introducing funds prematurely is seen as the main source of failure. But strict regulation protecting investment in the thin and volatile markets of eastern Europe can also inhibit the funds' impact by limiting returns.

The Czech government is considering re-inforcing the funds' regulatory framework, says Vladimir Kreidl, economist at Patria Finance in Prague. The opposition's demand for a law obliging funds to invest in housing could also affect returns.

Some western countries force funds to invest heavily in government securities. While a market in government securities can provide some depth, such regulations create captive bond markets and artificially lower yields. The Czech Republic, which maintains no regulations except a 10 per cent limit on investments in the same company, does not plan to mandate government bond purchases. And scarcity of savings can also be crippling.

Making contributions to the private pillar mandatory can help, but "it would be wrong to introduce pensions reform for financial impact. One must keep sight of the goal: to solve a social problem," said Mr Lankes.

This is the last of three articles on eastern Europe's pension problems. The second was published yesterday

EUROPEAN NEWS DIGEST

Waigel presses for a new job

Theo Waigel, Germany's finance minister, who has often served as scapegoat for the government's difficulties, made it clear yesterday he was not prepared to serve in the job beyond next year's general election.

His surprise announcement in a Bavarian television interview in effect challenged Helmut Kohl, the chancellor, to find him a new job – such as foreign minister – or lose him from the cabinet at the latest after the September 1998 elections.

Mr Waigel's comments, underlining the tensions within Mr Kohl's centre-right coalition, add to the pressure for a cabinet reshuffle – a move demanded ever more loudly this summer by Mr Waigel and his Bavarian Christian Social Union.

Mr Waigel suggested earlier this month that if it was clear ministers would not want to serve after the election an earlier reshuffle might be better.

Mr Kohl has ruled out a reshuffle but the political difficulty of having a "lame duck" finance minister could force a rethink. However, switching Mr Waigel to the foreign ministry would cause Mr Kohl fresh problems with the Free Democratic party, the junior coalition partner, whose former leader Klaus Kinkel is the present foreign minister. *Ralph Atkins, Bonn*

■ BORDER ROW

Belarus bars Russian TV

Belarus yesterday suspended all activities of the state-controlled Russian television channel, ORT, after two of its crews were arrested for violating a border zone, a spokesman for Alexander Lukashenko, the Belarus president, said.

Ivan Pashkevich, deputy head of the presidential administration, said the ORT management had organised a "political provocation" against the country's leadership. He said that similar steps would be taken against several Russian journalists "who condemn the activities of the country's leadership".

Mr Lukashenko has consistently accused Russian media of portraying him in a negative light and accused ORT journalists of being in the pay of unnamed foreign powers. A four-man ORT crew was detained near the Lithuanian border on Friday in a near replay of the arrests of another ORT crew last month.

Their declared aim was to show that the border was badly guarded.

The ban on ORT seemed bound to increase tension between the neighbouring former Soviet republics, which signed a union treaty this year. Boris Yeltsin, the Russian president, has said he may review the treaty if Belarus fails to release the ORT journalists. *Reuters, Minsk*

■ HOLOCAUST CAMPAIGN

Bonn move on compensation

Pressured by Jewish groups who say time is running out, Germany agreed yesterday to consider offering more compensation to Holocaust survivors in eastern Europe.

Israel Singer, the chief Jewish delegate in talks with German officials, said the outcome raised hopes for a "just and honourable settlement" for a rapidly dwindling group of victims.

A panel of German and Jewish officials will be set up and told to deliver an accord in three months, Chancellor Helmut Kohl's chief of staff, Friedrich Bohl, said. Mr Singer, who says the survivors' average age is above 80, spoke of "the best pace we can possibly achieve".

Germany has paid about DM100bn ($55bn) to survivors of the Nazi regime, but those living in the Soviet bloc could not apply for compensation during the Cold War.

Since German unification in 1990, Bonn has offered one-time payments of a few thousand marks or less to Holocaust survivors in parts of eastern Europe and Russia, but Jewish groups and the US government say that is inadequate.

Estimates of how many survivors could be eligible for compensation range from 15,000 to 40,000. *AP, Bonn*

■ RUSSIAN PRISONS

Yeltsin proposes amnesty

President Boris Yeltsin has urged parliament to support an amnesty for nearly half a million prisoners to help alleviate conditions in Russia's overcrowded jails, the Kremlin press service said yesterday.

"I consider that the declaration of an amnesty will not only be a humanitarian act on the part of the state ... but also will allow the alleviation of the extremely tense situation in our prisons," it quoted Mr Yeltsin as saying in a letter to the chairman of the lower house of parliament, Gennady Seleznyov.

Mr Yeltsin's proposal would grant an amnesty to around 445,000 people, or roughly half of Russia's prison population. Of these, 35,000 people would be released from prison or labour camp, and a further 60,000 would have their sentences shortened.

International experts and human rights activists have described conditions in Russian prisons as "appalling and inhumane".

According to some Russian newspapers, many criminals, horrified at the prospect of life behind bars, have sought to be shot after their death sentence was commuted to life imprisonment. *Reuters, Moscow*

■ GERMAN COURT RULING

Access order for Telekom

German telecommunications groups planning to take advantage of full liberalisation of the market from next year yesterday welcomed a Cologne court ruling ordering Deutsche Telekom, Europe's largest telecommunications group, to offer competitors direct access to its networks.

The ruling was the latest round in efforts by the German post and telecommunications ministry – regulator until the end of the year – to forge an acceptable deal on "interconnection" arrangements which are regarded as vital to ensuring strong competition.

It encouraged competitors' hopes that regulatory issues can be resolved swiftly and not become embroiled in lengthy court battles. Deutsche Telekom was last night still deciding whether to appeal. *Ralph Atkins, Bonn*

■ ECONOMIC WATCH

Danish forecast revised

Denmark's economy ministry yesterday revised downward its forecasts for key economic indicators but said that the changes were modest and the country was in robust shape.

The report predicted 1997 gross domestic product growth of 3.1 per cent, a sharp rise from 1996's actual 2.4 per cent but down from the ministry's last forecast, in May, of 3.3 per cent.

"This is a moderate downward revision of GDP growth in 1997, which is due to a downward adjustment of activity in the building and construction sector," the survey said. The ministry's forecast for 1998 GDP growth was unchanged at 3 per cent.

Yesterday's forecast also saw a sharper than previously expected fall in the current account surplus, to DKr9.5bn ($1.4bn) in 1997 from DKr16.7bn in 1996. It forecast a 1998 surplus of DKr10.5bn, down from its May projection of DKr13bn.

Unemployment projections were unchanged from May, with 7.8 per cent of the workforce jobless in 1997 and 7.4 per cent the following year. *Reuters, Copenhagen*

NEWS: THE AMERICAS

Chileans go public with their defence sums

By Imogen Mark in Santiago

Chile's civil society scored a quiet triumph yesterday with the publication of a "white paper" on defence, a first-ever for Chile, and for Latin America.

"Defence has never before been a public issue, it's been a taboo subject, reserved strictly for the military establishment. But with this paper, the debate is out in the open," said Santiago Escobar, a defence analyst who was one of the group of 100-odd academics, government officials, congressmen and senior military figures who worked on the document.

The paper's six chapters range from a theoretical debate of the definition of war to the impact of globalisation on national defence strategy and more particularly, Chile's growing economic inter-dependency with its neighbours.

The most read chapters, at least by Chile's neighbours, are likely to be the sections on defence spending, and how the defence ministry calculates its budget. For the ministry, making this public is one of the most important aims of the document.

"Our methodology for calculating spending can be questioned," says Rodrigo Atria, spokesman for the defence ministry, "but we're publishing it in the hope that defence ministries can get together in the region and work out a standard methodology, so we can really compare what we are doing.

"Otherwise, the issue will go on being manipulated for political reasons."

In the Chilean defence budget, for example, almost 40 per cent goes to pay pensions. But other countries account for these in a different item, making their defence spending appear smaller by comparison. The document *contains a description of each of* the three services, and their arsenals, with tables comparing these with other forces in the region.

The sources for the figures in this section were other public studies, including the Military Balance published by the London-based International Institute for Strategic Studies.

The other novelty in the paper is the discussion of new threats to Chilean and regional security. These include drug-trafficking, terrorism, and threats to the environment, such as the passage *through Chilean territorial waters* of shipments of nuclear or toxic waste, or over-fishing in the Pacific.

Commenting on the relations between the military and the civilians during the two years' debate and drafting it took to produce the paper, Mr Atria says: "At the beginning, we thought there would be a lot of conflict and different positions, but in the end we found there was a lot of common ground."

The government scored a symbolic hit by publishing the paper on August 20, birthday of Bernardo O'Higgins, Chile's national liberator, and a figure of veneration for the Chilean army. The birthday traditionally marks the start of the annual "army month", which culminates on September 19 with a military parade.

This year, the month has a special significance for the army because this is the last year in office of its other lay-saint and army commander, General Augusto Pinochet, who resigns his post next March after almost 25 years in power.

Domestic spending revival boosts Canadian economy

By Scott Morrison in Vancouver

After years of relying on exports to fuel growth, Canada's domestic economy has started to show signs of a strong revival based on increased business spending and consumer demand for "big ticket" items such as furniture and cars.

The latest good news for the Canadian economy was the July composite leading index's rise of 0.8 per cent over June. The index, which measures activity in 10 sectors including stock market performance, manufacturing shipments, employment, and housing, showed that durable goods sales accelerated to the highest point this year.

The revival of the domestic economy is well timed. Exports to the US, the main engine of Canada's recovery from the severe 1990-92 *recession, have grown little* since the beginning of the year. Economists, however, believe the domestic economy is now strong enough to compensate for this slowdown. Indeed, the Bank of Canada last week reported GDP grew 3.4 per cent during the first three months of the year and should grow 4 per cent for 1997, despite the export *slump*.

"The domestic economy will be there to fill the void created by lower exports and less public spending," said Craig Wright, the Royal Bank's *deputy chief economist*. An important factor has been a noticeable drop in the jobless rate, which fell to 9 per cent in July, the lowest level in seven years and down from 10 per cent in November.

An estimated 220,000 jobs were created in the past five months and economists forecast that 700,000 more will be generated in the next two years, pushing the national rate down to 8.7 per cent in 1998. And if the economy continues to perform as expected, the rate could fall *to 7 per cent by the end of* the decade, said Tim O'Neill, the bank's chief economist.

The recent employment figures show most of the new jobs have been generated by the domestic economy, particularly in retail trades and manufacturing, reflecting an increase in consumer demand.

"The boost that employment *growth has given to* income and confidence this year provides the necessary basis for further growth," the composite index report said. A recent opinion poll released by the Angus Reid Group showed that Canadians are more optimistic about the economy than at any time during the past 10 years.

Corporations are equally optimistic, as a growing number of companies expect higher sales and profits in the third quarter, according to a recent survey of 1,200 *business leaders by Dun &* Bradstreet Canada.

The optimism has prompted businesses to loosen their purse strings this year in an expected *C$83.8bn (US$60.7bn) spend*ing spree for new construction, machinery and other equipment, according to government estimates.

The domestic revival could not come soon enough. Burdened by heavy household debt and feeling the pinch of public sector cuts, Canadians were growing weary of economic sacrifice for the *promise of long-term gain.* Governmental efforts thus far have been remarkable, with the combined federal-provincial deficit down to C$23bn in the 1996-97 fiscal *year compared with a high* of almost C$66bn in 1992-93. Those efforts, and the central bank's policy of maintaining inflation under 3 per cent, appear to be paying off.

Venezuela balanced budget predicted

By Ray Colitt in Caracas

Venezuela's finance minister yesterday predicted a balanced budget and sustainable economic growth in spite of the huge cost of this year's labour reforms.

The fiscal situation would be stable, Luis Raúl Matós said yesterday, even though the reforms had brought the government's total labour obligations to $14bn: "We will still have a balanced budget or a slight surplus in our worst case scenario."

Mr Matós insisted that Venezuela would have no difficulty in maintaining a budget surplus in coming years as well, largely because its revenues no longer depend exclusively on the price of oil. An increase in the volume of oil exports and a guaranteed dividend from the state oil company PDVSA will ensure an *increase in future revenues.*

"Eventually our goal is to finance the entire budget without petroleum income," said Mr Matós. Tax compliance was on the rise, while current expenditure in real terms was falling, he added.

Before adopting a series of economic austerity measures under the auspices of the International Monetary Fund in April last year, Venezuela had a budget deficit of 5-6 per cent.

The government is expected to renew its stand-by agreement with the IMF later this year. It has met nearly all previous macroeconomic targets and does not require additional funding from the IMF. However, a renewed agreement is seen as adding credibility to its economic programme.

Mr Matós said Venezuela would achieve consistent economic growth of 6-7 per cent over the next few years: "What we will see from now on is a self-sustainable economic growth." GDP growth *for 1998 is expected to reach* 5 per cent.

Private-sector demand is replacing government spending as the determining factor of economic growth, he said.

AMERICAS NEWS DIGEST

UK evacuates volcano island

Montserratians started leaving their island yesterday in a voluntary evacuation of the British colony in the eastern Caribbean. The island has been ravaged by a volcano which scientists say is threatening a massive eruption.

The evacuation followed an announcement by the British government and the island's administration that anyone wanting to leave would be given financial assistance for transportation and resettlement. Those leaving are going to neighbouring Antigua and Guadeloupe, or to the UK.

The administration said the evacuation was voluntary and it was not forcing anyone to leave. However, few are expected to stay. The amount of money being provided by Britain to the refugees has been criticised by some Montserratians, who say more should be provided for the transportation of personal belongings, including motor vehicles. *Canute James, Kingston*

■ COMPUTER PREDICTION

Internet hook-ups spread

Some 82m computers worldwide will be linked to the internet by the end of this year, up 71 per cent from 1996, according to Dataquest, a US market research group.

The growth in hook-ups was being driven by increased business use of the internet, the researchers said. The market was expected to continue to grow over the next four years and by 2001 about 268m computers are projected to be connected to the internet.

"Businesses that already pay for desktop computers for employees increasingly recognise the incremental benefit of adding internet access," said Kathryn Hale, principal analyst. Within two years, links to "extranets" – networks based on internet technology that link companies to their customers and suppliers – would become more important for business personal computer users, she said. "By 2001, it will become nearly pointless to pay for a desktop computer for an employee without including internet access." *Louise Kehoe, San Francisco*

■ RADIO SCANDAL

Colombian ministers quit

Two Colombian cabinet ministers have resigned amid a scandal over the allocation of radio station concessions. Rodrigo Villamizar, minister of energy, and Saulo Arboleda, minister of communications, were recorded on tape as they discussed using their influence to ensure the concessions were awarded to friends and government supporters.

The *attorney-general* has opened an investigation for possible criminal offences. Mr Arboleda had previously been criticised for trying to censor media which attacked the government for corruption.

The minister for economic development, Orlando Cabrales, has been appointed to the energy post and José Fernando Bautista has moved from vice-minister to minister of communications. *Sarita Kendall, Bogotá*

■ PERU PRIVATISATION

Roads consultants named

Promcepri, the Peruvian state body in charge of infrastructure privatisations, has announced the selection of 15 companies and consortia to offer consultancy services for its pilot programme of road network concessions.

These include US, Spanish and Latin American engineering companies, lawyers' studios and specialists in environmentalmatters, often in association with Peruvian partners.

Three are interested in becoming the investment bankers to promote the road concessions: Salomon Brothers, Banco Bilbao Vizcaya in association with Peru's Alpha Consult, and Bice of Chile together with the Apoyo organisation of Peru.

Peru has a $2m fund from the InterAmerican Development Bank to finance the initial studies. The creation of an apolitical institution to regulate use of roads and setting of tolls will be crucial, say Promcepri officials. *Sally Bowen, Lima*

■ PAPAL VISIT

US may relax Cuba ban

The US government may temporarily ease travel restrictions on US citizens for the Pope's visit to Cuba. However, the administration emphasised that this would not be a permanent relaxation of the 34-year US embargo against the Castro government.

The Pope is to arrive on January 21 for a five-day visit. Catholic organisations have applied for travel and humanitarian aid clearances. The Archdiocese of Miami, whose *membership* includes many Cuban exiles, has requested permission to sail a pilgrim ship to Havana with 1,000 passengers. The White House said the archdiocese's application was being considered under regulations concerning religious travel.

The embargo limits Cuban travel to US citizens visiting for specific research, family emergency, humanitarian or religious reasons. *Heather Bourbeau, Washington*

Long-distance route shown by 'road map'

FCC ruling makes way clearer for telephone operators, write **Mark Suzman** and **Nikki Tait**

Road maps are useful things for stranded travellers, but when the directions are 210 pages of dense, legalistic text, even the hardiest may be tempted *to call off the journey*.

Nevertheless, with successful navigation guaranteeing entry into the $70bn US long-distance telephone market, Ameritech, the Chicago-based local phone company which has just been refused permission to offer such services by the US Federal Communications Commission, is determined to press ahead.

Despite its decision, the FCC's weighty ruling – the map in question – demonstrates a strong willingness to help Ameritech reach its destination. The commission went out of its way to praise efforts made so far by the company in opening its market to local competition – the key criteria for being allowed long-distance entry – and said the detail of its judgment was intended to help Ameritech and other local carriers, the "Baby Bells", meet the necessary conditions in future applications.

Armed with that detail, both telephone companies and the commission are increasingly confident that the long-delayed era of improved services and lower prices promised by last year's landmark Telecommunications Act is finally in reach.

The FCC's desire to help is born out of frustration with the glacial pace at which the $100bn local phone market is opening to competition. Only last week, Reed Hundt, FCC chairman, complained of the dense "lawyerly fog" that was hampering the process, and called on Congress to formalise the FCC's power, questioned in a court judgment last month, to intervene in local pricing structures.

In the meantime, the commission is using its authority over decisions such as the Ameritech application and its approval last week of the merger between Bell Atlantic and Nynex, two other Baby Bells, to try to force the local telephone companies to accept greater competition as a condition for pursuing other business activities.

Long-distance companies like MCI and AT&T, and other smaller companies, have complained that "the Bells have blocked their entry into local phone markets through inadequate service provision, limited information-sharing and other technical problems.

In its decision the FCC essentially agreed with these charges. Specifically, it concluded that in three key areas Ameritech had not met the 14-point "competitive checklist" set out in the act. These were a failure to show it provided competitors with equal access to systems needed for installation, repair, billing and maintenance, inadequate assistance with emergency services, and a failure to provide quality interconnection services.

It also found that because *Ameritech's long-distance* subsidiary did not have separate directors from the parent company and had not fully disclosed all relevant business information, it did not meet federal requirements.

Because it detailed what Ameritech needed to do to remedy the situation, analysts said the guidance was very valuable.

However, BellSouth, which expects to file shortly for permission to enter the long-distance market in South Carolina, expressed concern that the FCC's desire to see Bells use the "forward-looking" costs of operating a network – rather than the capital costs of establishing it – as the pricing basis for access to their lines was contrary to the recent court judgment.

Reed Hundt complained of the dense 'lawyerly fog' hampering the process

Potentially even more of a problem is a further condition, not formally evaluated in this decision, which is that the FCC must determine whether the application is in the "public interest".

However, while the commission stressed that this test was an "independent requirement" to the checklist, it said that future evaluations would not insist that the Bells lose a specific percentage of market share as evidence of their openness to competition.

Even with all the new guidance, however, it remains unclear how long it will take for the first local phone company to enter the market.

Dick Notebaert, Ameritech chief executive, says the company could resubmit an application "within weeks" and be up and running next year, while Mr Hundt predicts that Baby Bells should be offering long-distance service "well before" 1999.

However, some analysts believe that the complexity of the guidance means it could take four to five rounds of applications before approval is reached and few see any possibility of entry before late next year. "Long-distance isn't going to be an occurrence before mid-1998," said Susan Passoni at Cowen & Co. "The FCC is getting very literal in its interpretation of the rules."

Literal or not, however, there is widespread agreement that the map is now much easier to read.

Sale of hippie memories

A piece of the "Summer of Love" goes on the auction block this autumn when rock and roll souvenirs of the hippie era, including a house where Grateful Dead members lived and were arrested in a 1967 drugs raid (pictured left with current tenants Francine and Michael Filice), are sold. Reuters reports from San Francisco.

Organisers of an auction of memorabilia of the 1967 summer gave an advance look yesterday at some of the 300 rare photos, posters, letters and other items to be sold by Butterfield & *Butterfield in San Francisco* on October 4.

The memorabilia are expected to fetch a total of about $500,000 excluding the house. Picture: Reuters

Israeli aircraft bomb Lebanon

By Judy Dempsey in Jerusalem and Roula Khalaf in London

Israel yesterday launched three air strikes in Lebanon in retaliation for Tuesday's attack on civilian targets in northern Israel by Lebanese Hizbollah guerrillas but denied it was seeking to escalate the conflict.

Israeli aircraft attacked a power line near Sidon and dropped bombs near a Lebanese Army position. Reports from Beirut said four Lebanese were wounded in the raids, which caused a power cut in Sidon.

"I don't see anything unusual in striking Hizbollah military targets. We did it in the past and we do it when necessary," said Israel's Brigadier General Oded-Ami.

Rafiq Hariri, Lebanese prime minister, said attacks on utilities and other infrastructure showed "the criminal mentality" prevailing in Israel. "If Netanyahu's government does not change its policy towards peace and towards Arabs and Palestinians, the region will remain a field of violence and instability," he said.

Mr Oded-Ami said the Israeli army was trying to avoid targeting civilians. "It is not our policy to hurt civilians... We do not want a return to the Grapes of Wrath," he said, referring to the 17-day offensive in April last year when Israeli forces killed 200 people, mostly civilians, in southern Lebanon following Hizbollah rocket attacks on northern Israel.

The ceasefire understanding which ended that offensive bars attacks on civilians but not on military targets. An international monitoring committee, consisting of Lebanese, Israeli, Syrian, US and French officials, was also set up to deal with complaints on both sides of the border.

Diplomats are increasingly concerned about the rising tensions on the last active front in the Arab-Israeli conflict.

African deep waters seen as new oil source

By Barnaby Phillips in Luanda and Robert Corzine in London

The big oil discovery off Angola announced by Elf Aquitaine of France earlier this week is the latest proof that the deep waters off Africa's west coast will be a big new source of oil in the next decade.

Elf says it is too early to give a definitive figure for recoverable reserves, but company officials in Luanda, the Angolan capital, are optimistic that the Dalia field's potential is greater than that of the nearby Girossol field, discovered last year.

Girossol's proven reserves have been estimated at 500m-700m barrels of relatively light crude oil, although some estimates suggest total eventual reserves could reach 1.5bn barrels.

The discovery of fields with 1bn barrels or more is an increasingly rare occurrence, even though the big international oil companies spend hundreds of millions of dollars each year trying to find them. Such large fields can sustain companies financially for 20-30 years.

Deep water discoveries have been made off several West African countries, but Angola has proved particularly fruitful. In April Chevron, the US oil company, said it had discovered a potentially "giant" field in the deep water Block 14, to the north of the latest finds. "We're tickled to death with what we've found out there," says Chevron's Jim Henley.

The importance of the deep water area to the companies involved was illustrated in a recent report by Natwest Securities.

It said that if Block 17 reserves turned out to be at the upper range of industry expectations – around 3bn barrels – then it would be equal to a fifth of Elf's total 1996 reserve base.

Angola has been the focus of much of the deep water exploration effort in the region, accounting for 20 of the 57 wildcat wells drilled so far in the deep water.

Two decades of civil war has not impeded the steady growth of Angola's oil industry, which is concentrated offshore and thus relatively immune from the fighting. Nor has it damaged the perception among oil companies that Angola is a good place to do business.

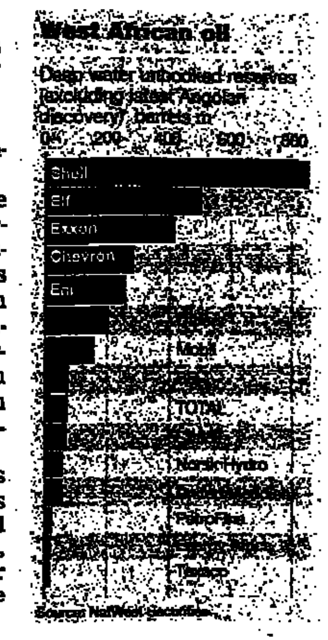
"The government has the reputation of offering generous fiscal terms and of not re-negotiating a contract once it has been signed," says one Luanda oil analyst.

A new round of deep water licensing is due next year. It has already set off fierce bidding between British petroleum, Texaco, BHP and Petrobrás of Brazil.

The experiences of oil companies elsewhere in West Africa have not been as positive. Several large discoveries have been made off the coast of Nigeria, but the difficulty of doing business in that country has proved a deterrent for some oil companies.

There has also been some disappointment at the performance of some recent discoveries. Reserve estimates for the Bengo discovery in Angola have been downgraded, and Statoil of Norway is reported to have run into reservoir problems with several of its Nigerian discoveries.

But even so, most analysts expect that West Afica's deep water reserves will climb to 15bn-20bn barrels, with perhaps 1m barrels per day of production by the year 2005.



Egypt's militants rethink strategy

Attacks on police and troops counterproductive, say jailed Islamic leaders

Egypt's militant Islamist organisations are considering a halt to attacks on low ranking members of the security forces despite resistance from hardliners who are said to have killed four police officers and a civilian in southern Egypt on Tuesday.

The first signs of a changing policy emerged last month when six imprisoned leaders of the two main groups – al-Gama'a al-Islamiyya and al-Jihad – called for a unilateral and unconditional ceasefire in their five-year conflict with the security forces, in which 1,000 people have died. Islamist leaders have since called for an end to the killing of Coptic Christians, and hinted that instead of fighting each other Moslems should unite for an expected war against Israel.

Both groups were founded in 1981 after a split in the original al-Jihad group which was formed in 1958. Both al-Gama'a al-Islamiyya and al-Jihad, which was responsible for the assassination in 1981 of Mr Anwar al-Sadat, the Egyptian president, now see their popular support diminishing as their social and religious activities have been replaced purely by violence against the government, which refuses to allow religious groups a political voice.

"The Gama'a al-Islamiyya have committed blunders, particularly in the choice of targets, notably the killing of conscript soldiers and in the killing of the Copts. This has alienated ordinary people," said Yassir al-Sirri, a London-based Egyptian Islamist exile, who faces a death sentence in Egypt and has close ties with the main groups.

"The common man has become the fuel of the fire, instead of the people at the head of the regime. This violence was mistaken because it gave the regime more respectability. The [Islamist] organisations are weak because their connection with the masses has been weakened," he admitted, suggesting that the violence is likely to be redirected rather than stopped.

Following last month's call, internal differences over the ceasefire within the Islamist organisations emerged. Imprisoned leaders in Egypt supported the call, while those in exile as well as some militant cells at liberty in the country advocated continued violence.

On August 9, Shiekh Omar Abdel Rahman, the Gama'a al-Islamiyya's spiritual guide serving a life sentence in the US for his part in the 1993 World Trade Centre bombing, supported the ceasefire call. On August 12, a statement in Murabitoun, the Gama'a al-Islamiyya newsletter, appeared to give official support to the ceasefire.

Mr al-Sirri said the groups were now about to make a "corrective move" in response to the realisation that "the policy of unlimited confrontation established by the Gama'a al-Islamiyya was wrong," adding that the Islamist groups had been weakened by a failure to coordinate their military actions.

The two main groups now aim to re-establish a functioning presence among the population.

The Egyptian government has so far rebuffed the groups' ceasefire call, and suspects it is intended to ease pressure on the Islamist groups while they reorganise their campaign. "Security bodies in Egypt will not stop confronting terrorist groups," said Hassan al-Alfi, Egypt's interior minister.

The government's refusal to countenance any form of dialogue with the armed groups is viewed by some Egyptian political commentators as a lost opportunity: "It's very important that [the Islamists] have said there should now be no attacks on the Copts, and that Moslems should group together to defend the Arab cause against Israel," said Fahmi Howeidi, a political commentator with links to the Islamist movement.

"All these things mean that they are rethinking their strategies."

Mark Huband

Militants being led from a police van: Islamic groups are now planning a 'corrective move'

Iran cabinet wins backing from Majlis

By Robin Allen in Dubai

Iran's 270-member Majlis (parliament) yesterday gave blanket approval to President Mohammad Khatami's new 22-member cabinet, with a speed and consensus which, western diplomats say, "has strengthened the president's authority and the standing of the Majlis". Much of the credit is given to Mr Khatami for his defence of his nominees.

Parliament's ratification of the new cabinet has to be endorsed by the 12-member Council of Guardians, seen as a formality.

The new cabinet is not expected to initiate changes in foreign policy to the US or Europe. It is only one of five centres of power and in foreign policy, decisions are taken by Ayatollah Ali Khamenei and the National Security Council, of which the president is one member among 12.

Mr Khatami was elected last May in a landslide victory over his conservative rival, Ali Akbar Nateq-Nouri, who was subsequently re-elected speaker by the Majlis. Many Majlis conservatives were critical of the new president's reformist leanings, especially his more liberal interpretations of social habits.

Many MPs were suspicious of nominees to two ofthe four key cabinet posts – Ataollah Mohajerani as culture and Islamic guidance minister, and Abdollah Nouri as interior minister. After what observers described as "10 hours' robust debate", Mr Mohajerani and Mr Nouri were confirmed by 144 and 153 votes respectively out of 266 MPs who voted.

The other two key nominees, Kamal Kharazi as foreign minister and Qorbanali Dorri Najafabadi as information (intelligence) minister, received 241 and 238 votes respectively.

Analysts say President Khatami is expected to build on yesterday's endorsement to enforce respect for civil rights, including greater freedom of expression. Some analysts expect evolution to the formation of political parties and away from the loose groupings which exist at present.

They expect Mr Khatami to push for fairer distribution of the country's wealth, and a relaxation of the prejudice against foreign investment and private-sector development.

LG and Veba plan silicone venture

By John Burton in Seoul

Hüls, the chemicals unit of Germany's Veba group, and South Korea's LG Chemical yesterday signed a letter of intent to establish a 50:50 joint venture for the production and marketing of silicones in Asia and Europe.

LG estimated total investments in the joint venture could amount to nearly $800m, including the construction of a silicone plant in South Korea by 2001 to complement Hüls' existing facility in eastern Germany.

The joint venture would give Hüls a secure foothold in the Asian market, which it hopes will provide 20 per cent of group sales by 2002.

Hüls' agreement with LG comes as Dow Chemical, the world's leading producer in the $7bn global silicones market, has been examining sites in South Korea, China and Malaysia for a $1bn plant.

"Hüls chose Korea for production because it offers a well developed chemicals industry combined with close proximity to major markets such as China," said Cristoforo Rocco, branch manager of J. Henry Schroder & Co in Seoul, which served as consultant to Hüls on the deal.

The Korean plant will produce 200,000 tonnes of silicone, a fifth of total global demand, with an initial sales target of more than $500m in Asia. Korea has relied on imports of silicone for its industrial needs.

Silicone has a wide range of product applications in computer and telecommunications equipment along with its use in the construction and car industries.

LG is concentrating on developing its specialty chemicals business as its main petrochemicals operations are expected to suffer a fall in earnings due to production overcapacity of the sector in Asia.

The alliance will also give LG Chemical access to the European market in what is the first big investment in the region by a Korean chemicals company. Korea's recent investments in Europe have been dominated by the electronics industry.

Hüls will contribute its silicone manufacturing plant in Nunchritz, Germany, to the joint venture. It acquired the plant in 1991 from the former East German government.

Cellphones: you ain't seen nothin' yet

Alan Cane on how manufacturers are preparing for the mobile phone of tomorrow

Today's cellular phones merely scratch the surface of what is possible in mobile communications. The ability to hold a conversation – virtually the sole function of current cellphones – will be only one feature of the phones of tomorrow.

Using technologies now in the late stages of development, they will be able to provide services more usually associated with the television, the music centre and the computer.

So expect to see phones with screens of sufficient size and clarity to be able to watch full length movies, listen to high fidelity music, order the groceries, and connect to the internet.

To provide these services, however, portable phones will have to be capable of receiving and sending much more information than is possible at present – in technical terms, they will have to be capable of handling high bandwidth transmissions.

This is the chief significance behind last week's announcement that four major European telecommunications manufacturers – Ericsson of Sweden, Nokia of Finland, Siemens of Germany and Alcatel of France – are uniting to promote a standard technology for these next generation phones.

The mobile phone industry describes this technology as "UMTS" – Universal Mobile Telephone Services. It is important to understand that UMTS is not a standard in its own right but more a wish list of what such a standard should contain – "third generation mobile telephony" might be a better description.

What the four European manufacturers are saying is that the core – the essential technology – of a UMTS standard should look like GSM, the existing de facto second generation world standard with more than 49m subscribers in 130 countries.

This would have the obvious advantage that mobile phone operators who are already commited to GSM would face only minimal costs in upgrading their networks for high bandwidth operation.

Much has been made of an impending battle between GSM and CDMA (Code Division Multiple Access), an alternative second generation world standard which has found favour in some parts of the US and Asia.

CDMA, developed by Qualcomm, a US group, offers, in theory at any rate, superior performance to GSM with perhaps twice the capacity.

It works by splitting a voice signal into fragments each with its own address which are reassembled on reception. It offers great potential to improve capacity but lacks global standards.

In practice GSM has been established in Europe since 1982 and has an extensive set of customer features which are absent in CDMA systems. GSM has more than 400,000 customers in over 300 US cities.

US manufacturers are convinced that there will not be a single world standard for the foreseeable future and are refusing to put all their technology eggs in one mobile basket.

US groups, therefore, such as Lucent Technologies, the world's largest telecoms manufacturer, are developing UMTS systems based on both GSM and CDMA. Lucent, in fact, parent of Bell Labs, the world's most prestigious telecoms research centres, carries out its GSM-UMTS research at Swindon in the UK.

It is expected that the two systems will exist side-by-side. In a far-sighted move, however, Qualcomm and Vodafone, the largest UK mobile operator, are attempting to marry the two systems in an experiment which could lead to the development of a universal standard.

The overall picture, therefore, is one of evolution rather than revolution with today's digital standards forming the basis for the third generation systems of tomorrow.

Some of the advanced capabilities which will be available are already on offer in second generation systems. In the UK, for example, Orange, the mobile operator, offers the possibility of conference calls linking more than two people.

Dual mode phones combining two or more digital technologies are appearing on the market and they may provide an interim solution to the creation of UMTS. A combination of GSM and DECT, the European standard for cordless phones is one example. Such a phone links by radio to a base station connected to the fixed network in the home but is switched to the GSM network when the user is out.

The gamble for manufacturers, however, is to decide when a particular technology is about to come into its own: Nokia's success, for example, is tied to Europe's success with GSM. The investment required to develop a new technology is huge: for that reason alone, US manufacturers are backing all the horses.

US meets terms of gasoline ruling

By Reuters and AP-DJ in Washington

The US Environmental Protection Agency has agreed the final requirements for importing gasoline into the United States, administration officials said yesterday.

The announcement came one day before a World Trade Organisation deadline.

"This was the first dispute brought before the WTO. We are pleased we were able to meet our compliance deadline within 15 months," a US trade official said.

The WTO found that US rules on conventional gasoline discriminated against non-US refiners, by requiring them to meet a different standard for gasoline quality than domestic refiners.

Under the Clean Air Act, the EPA required each US refiner to sell gasoline that was as clean as or cleaner than the gasoline it produced in 1990. But foreign refiners had to ship gasoline that was as clean as or cleaner than the average for US refiners in 1990.

Under the final rule, a foreign gasoline refiner could petition the EPA for an individual baseline for minimum clean air standards reflecting the volume and quality of gasoline shipped to the US in 1990.

Venezuela and Brazil complained to the WTO, which ruled in their favour, prompting the EPA to rule that each foreign refiner has the option of seeking an individual baseline, linked to the quality and quantity of gasoline they sent to the US in 1990.

Foreign refiners that do not apply for an individual baseline will continue to have to meet a quality standard based on the average of US refiners' baselines for 1990.

WORLD TRADE NEWS DIGEST

Poultry war heads to WTO

The European Union lodged a complaint against the US with the World Trade Organisation over US poultry import restrictions. The EU and the US are now obliged to hold talks among themselves during the next 60 days and try to resolve the problem.

The US and the EU have already gone through tit-for-tat actions that have effectively restricted trade in poultry across the Atlantic. The EU has blocked poultry imports from the US on grounds that processes using chlorine to kill bacteria in chicken carcasses was unacceptable. The US in turn has blocked imports of European poultry and poultry products, also on health grounds.

Earlier this year, EU and US negotiators had reached an agreement to recognise each other's veterinary standards for meat, meat products including pet food, dairy products and eggs. But the two sides could not agree on standards relating to poultry and poultry products. *AP-DJ, Geneva*

■ CAR IMPORTS

Japan defends its record

Japan is living up to its 1995 agreement with the US on expanding foreign access to its car market, an official of the Ministry of International Trade and Industry said yesterday.

The official said the agreement, in which the US and Japan said they would work to create more opportunities for foreign suppliers of cars and car parts and resolve problems hindering access, did not include numerical targets for progress.

Japan's Nikkei News service reported yesterday that Charlene Barshefsky, US trade representative and William Daley, commerce secretary, had sent a letter to Makoto Koga, the Japanese transport minister, expressing their concerns. The US has complained that Japan has deregulated only a limited number of after-market car parts, and requested that Tokyo step up efforts ahead of a follow-up meeting in October. *AP-DJ, Tokyo*

■ AZERBAIJAN MINING

US groups in gold venture

A consortium of US companies signed an estimated $500m joint venture agreement with Azerbaijan to explore and develop nine gold deposits, an Azerbaijani official told the Interfax news agency.

Mirgamid Mamedov, head of the state gold mining company Azergyzyl, said Azerbaijan would own 51 per cent of the joint venture.

The consortium, RV Investment Group Services, will own 49 per cent of the joint venture and fully finance the project. The 25-year contract must be ratified by the Azerbaijani parliament before it goes into effect.

Mr Mamedov said geological exploration of the gold lodes could begin as early as the end of the year.

The nine deposits are thought to hold 400 tons of gold, 2,500 tons of silver and 15 million tons of copper. Mr Mamedov said Azerbaijan stood to receive 80 per cent of the revenues from the metals mined. *AP-DJ, Moscow*

China Everbright chief may head bank

By John Ridding in Hong Kong and James Harding in Shanghai

Zhu Xiaohua, chairman of China Everbright, the fast-growing Chinese conglomerate, has emerged as a candidate to succeed Dai Xianglong as governor of the People's Bank of China.

Business associates and official sources in China said Mr Zhu had secured backing to take up leadership of the central bank as part of a wide-ranging reshuffle of senior posts after the 15th party congress, expected to start next month.

Mr Dai is a candidate for mayor of Shanghai, a move which would underline the importance attached by China's leadership to developing the city as a financial centre.

Mr Zhu is a protégé of Zhu Rongji, China's vice-premier in charge of the economy and the frontrunner to succeed Li Peng as premier after the party congress.

"If Zhu Rongji becomes premier, Zhu Xiaohua would be the natural choice for central bank governor," said an official in the Shanghai financial services sector. But other candidates remain in the running.

The appointment of Mr Zhu Xiaohua to head the People's Bank of China would mark the latest step in a rapid ascent and a return to the central bank where he served as deputy governor between 1993 and 1996.

While at the central bank, he assisted Mr Zhu Rongji in launching foreign exchange reforms and helped monitor the performance of China's commercial banks.

Since his move last year to China Everbright, which is ultimately controlled by the State Council, or cabinet, Mr Zhu has transformed the company from a lacklustre and accident-prone investment vehicle into one of China's most dynamic business groups.

A series of acquisitions by the group's three Hong Kong-listed subsidiaries has underpinned a rapid expansion, culminating in the announcement in May that China Everbright was to buy an 8 per cent stake in Hongkong Telecom, one of the territory's biggest companies.

That deal and other acquisitions have confirmed China Everbright's status as a strategic investor and one of the most influential "red chips" – Hong Kong companies controlled by mainland government agencies or industries.

Mr Dai, who also has the support of Mr Zhu Rongji, has been widely tipped for promotion, having overseen the "soft landing" of the Chinese economy by reining in rampant inflation and maintaining a stable rate of growth.

Xu Kuangdi, Shanghai's mayor since 1995, has earned a mixed reputation in the city. While some are suggesting he may rise to take over as Shanghai's party secretary, the most powerful post in the city, others suggest he may be moved to a more marginal role in Beijing.

Separately, it has emerged that Wu Yi, minister of foreign trade and economic co-operation, and the highest-ranking woman in the government, is likely to become China's next foreign minister, succeeding Qian Qichen.

Foreigners set up in Tokyo for 'Big Bang'

By Gillian Tett and Gwen Robinson in Tokyo

Foreign securities houses increased their staff in Tokyo by 11 per cent to 6,900 in the year to June, providing one of the most concrete signs of their growing presence in the Japanese market as the country prepares for a wave of "Big Bang" financial deregulation.

Japanese securities groups, by contrast, cut their staff by 4 per cent to 106,900 over the same period, according to data from Japan's Securities Dealers' Association. The reduction continues a downward trend now running into its fifth year, which has reduced employees at Japanese brokers by 30 per cent.

The decline is likely to continue, as the government's plan to abolish fixed commissions on securities transactions in the next two years is expected to hasten the growing number of failures and mergers in the sector. Last week Ogawa Securities, a small Osaka-based group, became the first brokerage to close in Japan for 17 years, with some Y2bn ($17m) worth of debts.

The stark contrast in the outlooks between foreign and domestic securities houses highlights the shifting picture in the Japanese financial sector – not least because the problems faced by smaller brokers have been exacerbated as foreign groups steadily win more market share.

In June, Japan's largest 20 foreign brokers had a combined market share of 27.4 per cent of the Tokyo Stock Exchange, about 10 percentage points higher than a year earlier.

This share was partly boosted by scandals at Nomura, the largest of Japan's big four brokers, which prompted many clients to cut business ties with the group.

Foreign securities groups have benefited from the shift, which is also partly driven by growing interest among Japanese investors in new and more sophisticated financial services and products.

In expectations of strong growth in business, most foreign securities houses are seeking to boost staff levels, particularly with skilled Japanese personnel.

Richard Metcalfe, chief operating officer at ING Barings Securities in Tokyo, sees the trend generating a recruitment frenzy which could almost be likened to a game of musical chairs between leading brokers.

"It's getting easier to hire qualified Japanese staff from leading Japanese brokers, partly because of recent scandals and partly due to Big Bang reforms – although the scandals are largely due to Big Bang. But we're also losing people to other foreign securities houses, in an explosion of poaching and head-hunting," he said.

Next year, ING Barings plans to expand its current staff levels from 270 to at least 350. In information technology alone, staff will nearly double from the present 25. The group is capitalising on ING's worldwide banking network to expanding Japan operations into areas including emerging market products.

Many other foreign groups, such as Fidelity, Schroders, Goldman Sachs and Mercury Asset Management, have also been raising staff numbers, particularly in asset management areas.

J.P. Morgan, which plans to purchase a seat on the Tokyo stock exchange this autumn, is planning to raise staff numbers from 550 to at least 800 over the next five years.

Public outrage over kidnap and murder leads to reshuffle of cabinet

Taiwan premier likely to resign

By Laura Tyson in Taipei

Lien Chan, Taiwan's premier, is to step down today, paving the way for a cabinet reshuffle at the end of this month. The new government will be charged with leading the country through key local elections in December and trying to improve Taiwan's relations with China, virtually frozen for more than two years.

Mr Lien, whose resignation was decided in May following public outrage over an unsolved kidnap and murder case, will keep his largely ceremonial and low-profile post of vice-president.

In spite of a lacklustre showing in public opinion polls, Mr Lien remains leading contender to become the ruling Nationalist party's presidential candidate in elections for the year 2000. He enjoys the backing of President Lee Teng-hui, who doubles as party chairman and who, under the constitution, is not allowed to contest another term.

The ruling party will endorse Mr Lien's expected successor, Vincent Siew, and the new cabinet during its party congress starting at the weekend.

The new cabinet is to be formed immediately thereafter in time for the autumn session of the Legislative Yuan (parliament).

Political analysts said formation of the new cabinet represented a consolidation of the government's policies, with no new big political initiatives as a result.

Ties with China are at a standstill until at least the end of this year as both sides are preoccupied with other matters: Beijing with its own communist party congress in October and the Clinton-Jiang summit to follow, and Taipei with the December 18 polls for county leaders island-wide.

Taipei's foreign relations drive is set to remain on track in spite of Chinese displeasure, with President Lee due to leave on a four-country tour of Latin America on September 4.

The social order issues that prompted huge public demonstrations and demands for Mr Lien's resignation in May have been aided by a police raid this week which netted one of the suspects in the April kidnapping of a Taiwanese actress's teenage daughter.

After the cabinet changes, the premier's position will become stronger while the premier's will be reduced to that of administrator of the president's policies.

Previously, the premier was theoretically in charge of day-to-day running of the government. A lack of checks and balances on the president has aroused some concern as he is not accountable to the Legislative Yuan, as the premier was before constitutional revisions unveiled last month.

Under the reforms, the premier can be replaced by the president twice a year. Analysts suggest that Mr Siew, well liked but widely regarded as a technocrat rather than a politician of vision, would probably be a cabinet caretaker for the next six months.

Campaigning has begun for the county elections, which take on heightened importance after constitutional reforms, as the provinces' powers will be devolved to the central and county administrations.

The polls are important as a test of public backing for the ruling Nationalist party, which has lost much of its traditional grassroots support during a government campaign against gangsters and corruption. Historically, the gangs are linked to powerful families and local groups. Despite the much publicised anti-crime drive, the Nationalists suffer from an image problem.

The leading opposition Democratic Progressive party (DPP) now controls the biggest and most important counties in Taiwan, comprising more than half the country's population, though not a majority of the 21 counties.

Under the slogan "Give Us a Chance", the DPP is trying to project a moderate, pragmatic and flexible image to voters, an approach made more appealing by the fact that DPP policies are hardly distinguishable from those of the ruling party.

In just a few years the DPP has shifted from being a radical party that called for outright independence from China to one which mutes its independence agenda in favour of issues nearer the hearts of voters: good government, a cleaner environment and education reform.

Lien Chan in happier times and the leading Taiwanese actress Pai Ping-ping (left in inset) with her daughter Pai Hsiao-yen whose kidnap and murder led to public outrage *Reuters*

Hong Kong election rule changes assailed

By John Ridding in Hong Kong

The Hong Kong government yesterday presented new election rules to the post-colonial legislature amid condemnation from pro-democracy forces that they will curtail democracy in next year's legislative elections.

"The majority of the seats in the Legislative Council will be dominated by the rich and the powerful and the pro-communists, so this system is fraudulent and undemocratic," said Emily Lau, leader of The Frontier.

With other pro-democracy politicians, Ms Lau was ousted from the Legislative Council when it was replaced by a Beijing-backed body at last month's transfer of sovereignty.

The government rejects the criticism, saying the election rules are consistent with China's constitution for post-colonial Hong Kong and its plans for the gradual introduction of democracy.

Michael Suen, secretary for constitutional affairs, said the Basic Law, the post-colonial constitution, upheld universal suffrage as the ultimate goal. Hong Kong people would be able to decide, in a review, whether all 60 seats in the legislature would be directly elected after the year 2007, he added.

Under the new rules, the electorate will be sharply reduced for the 30 seats elected by functional constituencies, or business and professional associations.

Chris Patten, the last British governor, had broadened the franchise for functional constituencies to 2.7m in the 1995 legislative elections. But the electorate will be reduced to about 180,000 in next year's polls.

The 20 directly elected seats will be contested under proportional representation rather than the "first past the post" system used in the 1995 vote. The remaining 10 seats will be selected by an election committee dominated by pro-China business, professional and social groups. The government has signalled the vote will take place in May.

The Democratic party, which emerged from those elections as the biggest in the legislature, but which boycotted the present provisional legislature, said the new rules marked a roll-back in democracy. "This arrangement is designed for those Mr Tung wants to see elected," said Lee Wing Tat, a former legislator, referring to Tung Chee Hwa, the territory's post-colonial leader.

The party argues it will also be disadvantaged by the replacement of 20 geographical single seat constituencies by five constituencies with four seats to be contested under proportional representation. "That will favour smaller pro-Beijing parties," said a party official.

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Japan snubs China on Taiwan defence issue

By Gwen Robinson in Tokyo

Japan yesterday took an unusually tough stance towards China in a brewing diplomatic row over remarks by a Tokyo official that a review of the US-Japan security pact would cover possible conflicts in the Taiwan Strait.

The review of bilateral defence co-operation is due for completion next month, and is expected to pave the way for Japan to provide a broad range of logistical and non-combatant support to US military forces in regional emergencies.

China has repeatedly warned the two countries not to include Taiwan as a region covered under the guidelines, which are expected to define regional emergencies as those "in areas surrounding Japan".

Seiroku Kajiyama, chief cabinet secretary, said on Sunday that the geographical scope of Japan-US defence co-operation would naturally cover the Taiwan Strait. He added that Japan should support the US in the case of an emergency over Taiwan.

In response, China's vice foreign minister, Tang Jiaxuan, described Mr Kajiyama's remarks as "indecent and strange" and demanded clarification. "The remarks were apparently different from the explanation given by the Japanese government so far. The Taiwan issue is China's domestic issue, and we will never allow any country to interfere in it," he said on Tuesday.

Japan has displayed great delicacy in its relations with China, particularly with regard to security issues, which are weighted by frequent references among Chinese scholars and government-backed groups to Japanese atrocities during the second world war.

Since early this year, when Japanese and US officials began drafting new guidelines for bilateral defence co-operation, China has stepped up warnings that any change in Japan's pacifist defence stance would be seen as a revival of militarism. Even Japanese defence officials admit the revised guidelines will give Japan its most active international military role since the second world war.

Yesterday, however, there were no apologies or soothing words for Beijing from Tokyo. Japan's deputy chief cabinet secretary, Kaoru Yosano, defended Mr Kajiyama and said his remarks were "based on the Japanese government's view of the issue".

Mr Yosano reiterated that the new bilateral defence guidelines will not define areas surrounding Japan. "The revision will not specify a geographical limit, but is rather about the nature of the possible situations which could arise," he said.

ASIA-PACIFIC NEWS DIGEST

IMF to back $4bn Thai loan

The International Monetary Fund was due to approve a $4bn standby loan for Thailand late yesterday, a move that will activate an emergency $16.7bn package of international loans for the south-east Asian country.

Immediately after the IMF approval for the credit and accompanying structural adjustment programme for the Thai economy, the Bank for International Settlements (BIS) will make a statement regarding its expected bridge loan to Thailand, BIS officials said.

Thai officials say they are seeking $3.3bn from the BIS, an institution owned by the world's leading central banks, which have so far been largely absent from the IMF and Pan-Asian Thai bailout package.

The bailout will be the biggest international financial rescue package organised since the IMF, the US and the BIS put together a $50bn package for Mexico in the aftermath of that country's peso devaluation in late 1994.

Thailand has agreed to strict conditions to have access to the funds, which will be used to shore up foreign reserves, cover a potential balance of payments shortfall and help restructure the financial system.

These include a pledge to end the policy of providing unlimited liquidity support to struggling financial institutions, which has already cost the central bank $16bn, and blanket guarantees to depositors and creditors of failed financial institutions, which could cost the central bank up to $31bn. *Ted Bardacke, Bangkok*

■ SURGE IN EXPORTS

Korea GDP growth at 6.3%

South Korea posted strong growth of gross domestic product in the second quarter, at 6.3 per cent, because of a surge in exports. With growth in the first half reaching 5.9 per cent, the central bank predicted 1997 growth could exceed its 6 per cent target. Exports grew 19.9 per cent in the first half because of a weak currency. But the improvement masked a sluggish domestic economy as industrial investments shrank 0.6 per cent and domestic consumption grew 4.6 per cent from a year ago.

The near-collapse of the Kia car group in July may postpone expected recovery in the second half, as a lack of confidence in the economy could continue to discourage private consumption and investment. Worries about Kia's fate and possible downgrade of international credit ratings for Korean banks in response to a string of company bankruptcies led to a recent rise in corporate bonds rates. Yesterday, the benchmark three-year corporate bond yield closed at 12.33 per cent. The won closed at 899.2 to the US dollar. *John Burton, Seoul*

■ ELECTRONICS BOOST

Singapore exports improve

Singapore yesterday announced a better than expected rise in non-oil exports for July, in a sign demand is rising for the high-technology electronics the city state makes. The Trade Development Board said nominal growth in July was 6.9 per cent to S$7.78bn ($5.2bn) over the same month a year ago. In June, exports rose 8.8 per cent. About 70 per cent of non-oil exports are electronics, for some of which global demand seems to be picking up, including semiconductors, disc drives and printed circuit boards. Computer and computer peripherals exports were weaker. *James Kynge, Kuala Lumpur*

Chevron to quit refining and retailing

By Robert Corzine in London

Chevron, the US oil company, has withdrawn from the UK oil refining and petrol marketing sector. About 450 of the company's Gulf service stations in Britain are expected to be sold to Shell UK in a deal that will accelerate the further consolidation of the country's retail petrol market.

Neither company would place a value on the sale, which will also result in the closure of the 115,000-barrel a day Waterston refinery at Milford Haven in Wales.

As part of its retreat from the downstream sector in Britain, Chevron is also in talks with its partner Texaco to sell its 50 per cent stake in the Pembroke Cracking Company, a separate refinery unit at Milford Haven.

Shell and Chevron last night confirmed that they hope to complete a deal by the fourth quarter. It will cover the sale of the service stations as well as Gulf's commercial fuels and lubricants business in the UK. Chevron said the intense competition in the refining and marketing industry and its relatively small, 4 per cent market share were the main factors behind its decision.

Gulf said an attempt to sell the refinery, which was built in 1968 and which has often been rated as one of the more efficient in Europe, had elicited no response. Europe suffers from chronic over-capacity in refining. Parts of the Waterston facility may be sold off separately, or it may be demolished entirely and the site restored. It is expected to close in October.

Last year Gulf tried unsuccessfully to pool its retail network in a joint venture with Elf Aquitaine and Murco. The proposed alliance was weakened when Murco decided to pull out. Last May, Elf and Gulf called off the deal after they failed to find a way to make the venture succeed. It was then that Chevron signalled its intention to quit the UK downstream market.

Cut in BAe subcontracting urged

British Aerospace workers in traditional Scottish dress joined English colleagues yesterday in a demonstration in London about the company's plant in Prestwick, central Scotland. The marchers said BAe should have done more to bring work subcontracted to other countries back to Prestwick. The company said: "If we can bring back subcontracted work, we will – so long as we can match the skills required." BAe announced in May that it was to cease production of the Jetstream 41 turbo-propeller aircraft, leaving the Prestwick plant to compete with the company's other centres for work. On Tuesday, the first of 380 workers to lose their jobs received redundancy notices.

Cut-price stores defy Adidas

By Jimmy Burns in London

The UK's biggest supermarket chain and one of the world's leading sportswear companies are heading for a potential price war.

More than 200 Tesco stores will today start selling clothes and running shoes made by German group Adidas at prices 15 per cent to 50 per cent lower than normal.

"We don't think we are being unsporty. On the contrary, we are offering a product that a lot of customers want at a price they can afford. That must be good sportsmanship," Tesco said.

Adidas last night stopped short of officially crying foul but questioned the level of sales advice and the quality of the goods on offer at Tesco.

"There is nothing we can really do to stop them. But we do think that having our products sold between baked beans and loo rolls is not the image we want," Adidas said.

Adidas has a policy of supplying only selected sports retailers and has refused to supply Tesco with its goods.

Tesco said it has circumvented this by "perfectly legal" sourcing from wholesalers in the US.

Tesco yesterday received support from Nigel Griffiths, the consumer affairs minister, who believes selective distribution has been disadvantaging low-income consumers.

"People who have been most affected by artificially high prices are people with the least amount of money to spend. What Tesco is doing is good news for the shopper," Mr Griffiths' department said last night.

In March Tesco announced it was offering Levi jeans at prices up to £25 ($41) lower than those in other stores after it had purchased 45,000 men's 501's direct from a wholesaler in Mexico.

UK NEWS DIGEST

Higher fee for Lloyd's Names

Lloyd's of London is to demand higher contributions from Names to its central fund of last resort. Next year, all Names – the individuals whose assets have traditionally backed Lloyd's – will be charged a fee totalling 1 per cent of the overall business they can write compared with 0.6 per cent at present.

For the average Name, this amounts to an increase of about £1,993 ($3,350). The amount corporate investors are required to pay will remain unchanged at 1.5 per cent. This is the first time for several years that Lloyd's has changed the central fund contributions. The Association of Lloyd's Members, which represents several thousand Names, said it was unhappy to see the increase but accepted the need to bring the levels closer together. Lloyd's said Names and corporates will pay the same amount by 2000. *Christopher Adams, London*

■ RETAIL SALES GROWTH

Treasury shrugs off 'boom' fears

The Treasury shrugged off fears of a 1980s-style consumer boom yesterday despite official figures showing that spending in the shops is growing at its fastest rate for nine years.

The volume of retail sales last month was 6.5 per cent up on a year earlier, according to the Office for National Statistics. But Geoffrey Robinson, the paymaster general, said the growth rate was "entirely expected" as consumers spent part of the windfalls they had received from public offerings by building societies [mutually owned savings and loans institutions].

Meanwhile, the Bank of England, the UK central bank, published figures showing that the money supply measure M4 – cash plus bank and building society accounts – rose by 11.8 per cent in the year to July, the biggest rise since 1990. *Robert Chote and Richard Adams, London*

■ COMMON AGRICULTURAL POLICY

'Green pound' revalued again

Farmers stepped up demands for compensation for the effect of sterling's strength on farm incomes yesterday, when the fourth revaluation of the green pound this year was triggered.

The green pound – the rate at which EU agricultural payments and prices are translated from Ecu into sterling – was revalued by 3.5 per cent at midnight last night, from 72.0829 pence to 69.5735 pence to the Ecu. Sir David Naish, president of the National Farmers' Union, said the appreciation in sterling had cut the UK's agricultural output in 1997 by £1.8bn ($2.9bn) a fall of over 10 per cent on the 1996 level. *Maggie Urry, London*

■ WORKPLACE HEALTH

Call for upper temperature limit

As Britain swelters through one of the hottest Augusts on record, the Trades Union Congress has called for a legal maximum to be established for workplace temperatures.

Although the health and safety code of practice sets a minimum temperature below which no-one should have to work, there is no equivalent if it gets too hot. The TUC wants a maximum work temperature of 30 deg or 27 deg for people doing strenuous work. *Andrew Bolger, London*

Electricity regulator yields on prices

By Simon Holberton in London

Electricity prices are set to fall between 7½ per cent and 10 per cent over the two years from next April under compromise proposals unveiled yesterday by Professor Stephen Littlechild, the electricity regulator.

Prof Littlechild's proposals, which were far less strict than he predicted as recently as last month, were seen as a victory for the big generators which had previously been threatened with implicit price controls. There was also a guarded welcome from regional electricity companies which now appear less likely to challenge the proposals at the Monopolies and Mergers Commission.

The Electricity Consumers Group said the regulator had been "pragmatic" and had made concessions to ensure deregulation started on time. However it questioned whether price differentials among suppliers would now be large enough to encourage consumers to change supplier.

The price reductions will come mainly from the ending of subsidies to the coal industry and to certain independent power stations.

In early July, when Prof Littlechild published much tougher proposals, he suggested customers could see prices fall by as much as £30 ($49) per customer in the first year of the competitive market. Falls in prices would come largely from lower electricity prices from the big generators. Yesterday's proposals will lead to cuts to customers of between £15 and £25.

Yesterday he said that price controls needed to balance the long-term and short-term interest of customers. But the controls "should not seek to do the job of competition or discourage its development". He added: "Only competition, not regulation, can produce the best levels of price that be offered by efficient companies seeking to meet the needs of customers."

Prof Littlechild has faced a concerted attack from the electricity industry since the publication of the July report. Many companies told him that unless he backed down, he faced the prospect of being taken to the MMC.

The industry claimed his proposals required them to lose money. Generators also joined the chorus of complaint, and some potential new entrants sought clarification from the regulator about his plans to cap electricity prices.

The prospect of an MMC referral appeared to recede yesterday. Industry observers said Prof Littlechild had modified his earlier proposals sufficiently to forestall an industry revolt.

Prof Littlechild went out of his way to repudiate any suggestion that he sought to regulate the generators through the price control on regional supply companies: "One can't regulate generation through the back door."

In London, National Power's share price closed 23 pence up at 538½p and PowerGen closed 35p up at 761½.

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TECHNOLOGY

Bruce Dorminey examines recent insights into the microbiology of plants and insects

Protein power protects crops

A newly cloned viral protein which wreaks havoc on the larvae of agricultural pests such as armyworms, budworms, bollworms and caterpillars may soon be inserted genetically into bug-laden vegetable plants such as cauliflower and cabbage.

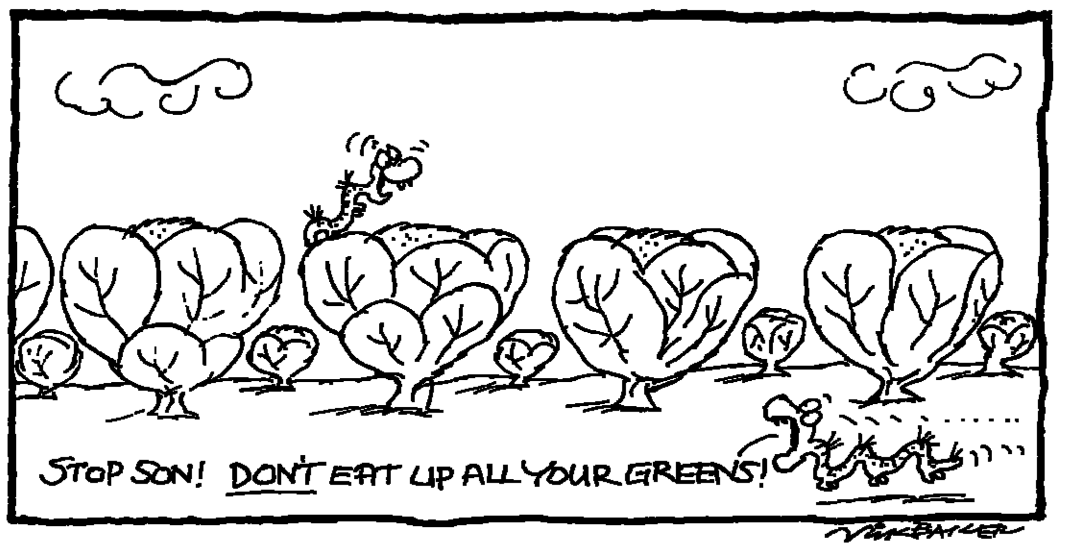
The protein, enhancin, unleashes a digestive nightmare on the insects' intestinal walls soon after its ingestion, leaving the next generation of bugs stunted and unable to complete their lifecycles.

With $400,000 (£245,000) in grants from the US Department of Agriculture, Robert Granados, a virologist at the Boyce Thompson Institute for Plant Research at New York's Cornell University, has spent the past 10 years working on the enhancin project.

Enhancin is an enzyme found in some baculoviruses – rod-shaped viruses that are highly specific to insect pests. Dr Granados and his colleagues recently found that the protein worked against the intestinal immune systems of cabbage looper larvae.

By binding to and then destroying an important mucinous (or sticky, gel-like) protein of the insect's intestinal structure, the enhancin molecules make the larvae more vulnerable to attack by baculoviruses. Yet these viruses pose no threat to humans, other mammals or the environment.

"We're trying to find a way to genetically improve these baculoviruses so that they kill insects faster," says Dr Granados.



"Enhancin is one approach in helping them to be more effective."

In the future, farmers using viral insecticides could find themselves spraying crystals containing both enhancin and a pest-specific baculovirus. These crystals, which are also genetic by-products of the baculoviruses, serve as protective casings for the virus to sustain itself in the environment over long periods.

A caterpillar, for example, might come upon a crystal lying on top of a portion of a plant leaf and then ingest it. The crystal would dissolve in the insect's intestines, releasing the potent combination of enhancin and baculovirus simultaneously.

In forests, enhancin could be sprayed with a genetically engineered baculovirus to target pests of oak and maple hardwood trees, such as the gypsy moth larvae, or on certain conifer trees, such as the white pine, to counter dixie moth larvae.

Several agricultural biotechnology companies are interested in enhancin, primarily for use in genetically altered plants. But the institute retains four enhancin-related patents (with a fifth pending), as well as all rights on licensing the technology.

While field trials remain some three to four years away, the Cornell researchers believe that the protein may also be bred into the leaves of cash crops like cotton, corn and tobacco. Meanwhile, they are looking for enhancins in other baculoviral species, along with susceptible immune systems in other leaf-munching insects.

"Genetically altered plants bred with the enhancin protein will not kill larvae outright unless they have also been sprayed with a baculoviral contaminant," says Dr Granados. "But it remains more economical in the long run to breed transgenic plants without also spraying them with the virus. Enhancin coupled with the virus will kill insects up to 12 hours faster [than if they were exposed to the virus alone]."

The technology could provide a useful extension to the insecticidal toxin from *bacillus thuringiensis* (Bt) bacteria, which is the main weapon of agricultural biotechnology today. An estimated 10m acres of crops – mainly cotton in the US – were genetically engineered this year to produce Bt in their leaves.

The botanical internet

Chloroplasts, the small green plant bodies which are at the heart of both photosynthesis and many a grass stain, have been found to exchange molecules in a form of crude communication. Using newly discovered tubules as a kind of botanical internet, such molecular give-and-take may help regulate the process by which energy is harvested from light.

The discovery came accidentally after a research team led by Maureen Hanson, a plant molecular biologist and geneticist at Cornell University in New York, set out to find a way to make chloroplasts more visible.

Using Cornell's patented two-photon excitation laser scanning microscope, the group added the gene for a jellyfish protein that makes the chloroplasts glow green under fluorescent light to tobacco, petunia and a fast-growing weed called arabidopsis.

In the process, the fluorescent protein inadvertently illuminated the long, thin tubules.

The team sent laser pulses of low-energy photons into one of two tubule-connected chloroplasts. This stopped it glowing. A few seconds later the photon-bleached chloroplast was glowing again, signalling that some of the fluorescent protein from the unbleached chloroplast had been transferred to the bleached one.

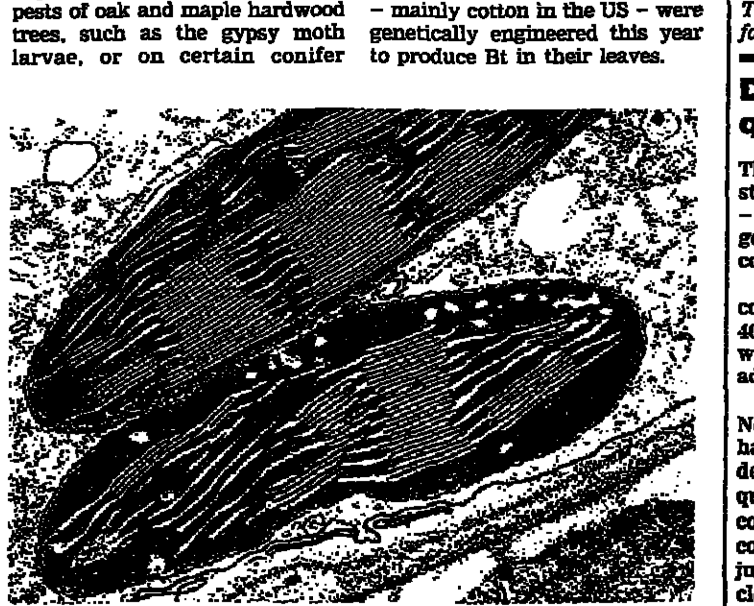
Previously, scientists thought chloroplasts were free agents, receiving molecules from the cell cytoplasm, but not directly from each other. But it now seems likely that chloroplasts are also exchanging proteins and other molecules among themselves. There might even be specialised signal molecules co-ordinating chloroplast activities.

"Now we know that chloroplasts might be sending substrates (or products of photosynthesis) to each other, which may enhance photosynthetic efficiency," says Dr Hanson.

"But more studies are needed to understand how important the tubules are in photosynthesis."

Chloroplasts are thought to have descended from photosynthetic bacteria that took up residence in plant cells hundreds of millions of years ago.

Dr Hanson speculates that, in common with their bacterial ancestors, they might also be swapping genes that could direct their own self-replication. But more research is needed before theories about their behaviour can be developed.

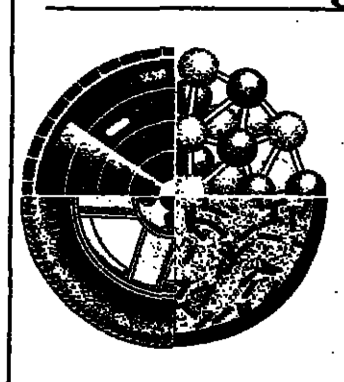


Karl Lounatmaa/Science Photo Library

Chloroplasts seen in the leaf of a pea plant

BD

Worth Watching · Vanessa Houlder



Heat treatment for poisonous waste

Scientists in Israel have developed a method of treating toxic waste that totally converts toxic materials into inert, glassy substances.

The technique involves heating an electrically charged gas or "plasma" to a temperature of 20,000°C. It also uses a gas detoxifier which absorbs and "cleans" the gases, enabling them to be recycled.

The high temperature and pressure is used to operate electricity-generating turbines. The precise temperature and time needed to incinerate the waste is calculated using software that contains a library of all known toxic materials. The equipment, developed by Plasma Advanced Technologies, can be moved around.

Plasma Advanced Technologies: Israel: tel 97654077; fax 97650094.

Dots represent a quantum leap

The "quantum dot" – a tiny structure which traps electrons – may be the basis of a generation of smaller, faster computers in 20 years.

A chip made of quantum dots could contain as many as 40,000bn devices, compared with 6m devices in the most advanced chip available today.

Scientists at the University of Notre Dame, Indiana, in the US have, for the first time, demonstrated a cell made of quantum dots. They made a cell composed of four metal dots, connected with tunnel junctions, which operates at close to absolute zero.

The experiment, described in Science journal, was the first demonstration of a single electron controlling the position of another electron. The scientists now want to develop the technology so that it can operate at room temperature.

University of Notre Dame: US, tel 2196314148; http://www.nd.edu/

Turbulence is no longer such a drag

Making sense of the turbulence that occurs when a gas or liquid flows near a surface is notoriously difficult.

But researchers from Orlev Scientific in Israel and Brown University in the US have developed a technique to reduce turbulent drag, says a report in today's Nature.

They found that covering a surface with a random pattern of v-shaped bumps can reduce drag by as much as 12 per cent. Regular arrays of the bumps, by contrast, were found to increase drag. This effect is due to the protrusions interacting with the eddies close to the wall and influencing the rate at which energy is dissipated in the turbulent flow.

The technique might find certain specialist applications, such as high-speed sailing yachts.

Laurence Sirovich: US, 2122415948; chico@camelot.mssm.edu.

Buckyballs fight the free radicals

Buckyballs – the football-shaped molecules made from 60 carbon atoms – might lessen the after effects of strokes, head trauma and spinal cord injury, say scientists at Washington University School of Medicine.

The unusual hollow structure of buckyballs, or buckminsterfullerenes, means they can mop up large quantities of highly reactive chemicals called free radicals.

Buckyballs, modified to make them water soluble, were found to shield mice neurons during harmful treatments known to increase the production of free radicals. They also blocked the disintegration of nerve cells deprived of oxygen and glucose, the initial event in a stroke, according to a report this week in the Proceedings of the National Academy of Sciences.

Washington University School of Medicine: US, tel 3142860118; http://medinfo.wustl.edu/

Cinema/Nigel Andrews

Dance of fear loses its way

There are two stories told by David Lynch's *Lost Highway*: One, on screen, tells of death, doppelgangers and body-swapping; the other, off screen, tells of a genius looking for something to say.

When a visionary runs out of visions, he either stops working or pushes out the same old visions under a new label. The new film from the director of *Eraserhead* and *Blue Velvet* has a mesmerising first half hour, reintroducing us to a large-screen Lynchworld dormant now for five years, since his disappointing *Twin Peaks* featurisation, *Fire Walk With Me*.

LOST HIGHWAY
David Lynch

ALBINO ALLIGATOR
Kevin Spacey

JUMP THE GUN
Les Blair

EVENT HORIZON
Paul Anderson

PLEIN SOLEIL
René Clement

In an angular, sparsely-furnished house pullulating with shadows, Bill Pullman and Patricia Arquette perform a dance of fear. A sequence of mystery videotapes has arrived on their doorstep, apparently shot by a prowler outside and inside their home. At a party they meet a spectral, sweetly-spoken man (Robert Blake) who says that he – the spectral man – is at their house right now. A phone call seems to prove that he is; the couple dash back home; nothing. Next day, another video arrives. On it, a murder. In the house, at the same screaming moment, a murder...

We are bathed in fear. But unbelievably, Lynch then lets the plug out: the whole plot is allowed to gurgle away in the cause of some greater mystical intricacy as a hurried-to-jail Pullman, suspected of slaughter, is mysteriously replaced in his cell by an unknown (to us) youth played by Balthazar Getty. Getty then takes over the movie, paroled to spearhead a new funny/sinister/pointless story about himself, a mobster (Robert Loggia) and his faithless moll (Arquette again, swapping Vampira look for Veronica Lake).

Since Getty resembles a runner-up in a Charlie Sheen lookalike contest and acts with commensurate charisma, we feel not so much let down and sold down the Styx. Lynch and co-writer Barry Gifford (of *Wild At Heart*) belatedly shuffle Blake and Pullman back into the plot. But by then life-or-death terror involving characters we believe in has been traded in for *déjà vu* Lynch party tricks involving characters we neither believe in nor care about.

Lynch is a major film-maker who may, sadly, have no major film left in him. His loyalists are busy even now reading greatness into *Lost Highway*, talking of Einsteinian curves and Euclidian space. Such deliriums seemed plausible with *Blue Velvet* – where the floor fell away under the filmgoer exposing the near-cosmic infinity of his fears and outlaw desires – and *Lost Highway's* opening act shows that Lynch can still commune with inspiration: from the sly horror of Blake's ghoul to unnerving camera movements that resemble now a boat on a rocky sea, now a crab scuttling towards its prey.

But when *Lost Highway* gets lost, it gets truly lost. A road that used to lead to a darkness infinite with suggestion, curiosity and metaphysical mischief now leads to the darkness of an increasingly depopulated imagination.

★

Lynch still makes every other filmmaker this week seem a journeyman. *Albino Alligator* is like *The Petrified Forest* with added pretension. Once again the world of crime crashes sonorously into the world of human recreation, with a runaway criminal (Matt Dillon) and his gang taking refuge in a saloon bar. Once again there are reverberant perceptions about life, death and almost everything else.

Although writer Christian Forte and actor-turned-director Kevin Spacey have no *in situ* philosopher, like the earlier film's Leslie Howard, their film is broody, wordy, stagey and long. And in Faye Dunaway it has the only possible stand-in for Bette Davis. See Faye glower! See Faye wipe down a bar counter! Hear the whips cracking in Faye's voice even when it *is sotto*.

No one can hold a candle to her. So Dillon, Gary Sinise and the talented M. Emmet Walsh (shot too soon) stand or sit around holding glasses, guns and anything else that will occupy their and our attention. For the plot certainly will not. Once the police surround the building, it is a tale of siege warfare in which no outside supplies of wit, excitement or human reality are allowed through to an airless theatricalism born of David Mamet out of Robert E. Sherwood.

In *Jump The Gun* British film-maker Les Blair goes to Johannesburg. The director of the comely Hampstead comedy *Bad Behaviour* applies his improvisational techniques to a tale of post-apartheid South African life. Like his mentor Mike Leigh, Blair asks questions first and shoots later: he uses his cast's contributions and rehearsal ad-libbings to co-create the script.

This may explain why there *is* no script, seemingly. In *Jump The Gun* there is just a collection of binary characters wearing plus or minus signs according to whether they do or not have Political Correctness. Black singer Gugu (Baby Cele) does, since the feisty girl negotiates an urban jungle of white and black predators with non-discriminating resourcefulness. Clint (Lionel Newton), a white oil-worker on shore leave, definitely doesn't, since he boasts a Viva Zapata moustache, a love of guns and a vocabulary that includes the phrase "jungle bunnies".

Guess what. Each side comes to understand and influence the other. And characters we thought were walking clichés – the black crime boss, the tart with a heart – end up as lying-down clichés, as love, sex and pillow companionship work to cleanse the world of prejudice. There are a few moments of moody wit and wry local colour: Johannesburg in the rain can be just like Woking. But mostly this is a film as one-dimensional in its right-on-ness as the cinema of racism used to be in its bigotry. *Mandingo* goes Mandela.

Event Horizon is worse but fun. This is a story conference in search of a movie. "We're thinking of doing *Hellraiser* in space." "Sounds great. Who'll star?" "Sam Neill, fresh from *Jurassic Park*, as the disturbed scientist haunted by interstellar nightmares and Laurence Fishburne as the captain of a 2047 A.D. spaceship seeking the wreck of a mysteriously aborted Mars mission." "Good. He's black, isn't he? We've got to think of crossover." "Yes."

And so the project blasts off, boldly going where sci-fi fans will follow with faith if not understanding. While Neill expatiates polysyllabically on dimensional gateways and space-time continua – "Do you speak English?" asks a crew member – Fishburne, Joely Richardson and other pedigree players float about dodging monsters, corpses and certifiable dialogue. Foolish but enjoyable.

Plein Soleil, revived at the National Film Theatre, will give you a better two hours than anything else this week. René Clement's 1960 murder thriller, photographed in wonderfully overripe colours by Henri Decae, is faithful to its source novel, Patricia Highsmith's *The Talented Mr Ripley*, in all respects but the cast's nationality.

Alain Delon plays lovable killer "Tom Reepley", Maurice Ronet plays "Philippe" Greenleaf (Dickie in the book), drowned for his money, and if you do not blink you will be mesmerised by a pretty girl's silent 10-second walk-on in the first scene. It is Romy Schneider before she became Romy Schneider.

Patricia Arquette in 'Lost Highway' by David Lynch – a visionary filmmaker in search of a vision

Edinburgh Fringe

Delightful, bad taste, in-your-face

Whilst comedy continues to constitute the second largest segment of the Edinburgh Fringe, trends within the field are becoming more noticeable. The renaissance of sketch comedy continues, with companies such as The Cheese Shop (in their show *Boof!*) and The League Of Gentlemen reaching take-off point this year. The Cheese Shop have been Fringe fixtures for several years, growing in assurance with each successive outing. Their gentle absurdities – the Dorset Territorial Artists' cannon run in the Royal Tournament, a pair of policemen helpfully sub-editing a suicide note – now possess a degree of polish altogether more appealing than their plaid suits.

The League Of Gentlemen are an altogether different proposition. One of last year's most impressive discoveries, the quartet (only three of whom appear onstage) tread a darker, more unsettling path: a joke-shop owner takes a customer hostage, a cavern tour guide suffers recurring nightmares, and the magnificently irritating Legs Akimbo theatre in education company disintegrates before our eyes. They employ bad taste not for mere shock value, but with a much more discomfiting air of deliberation, as successive episodes of running sketches grow ever closer to out-and-out pathos. They are also wickedly funny.

On the stand-up front, Graham Norton has taken on some of the characteristics of his countryman Bono this year, making live phone calls on stage; he dials out for pizza for the audience, and lives in hope of someone ringing up during the show in response to the personal ad he has placed in a gay contact magazine. The prime target of his acerbity, though, is himself; each night he reads an extract from his diary as a 16-year-old prig on an exchange trip to France, mercilessly lampooning his pompous younger self.

Scott Capurro seems to alternate themed shows on his Edinburgh visits with straightforward stand-up. This year offers the latter, delivered with a high-speed, in-your-face mastery. However brazenly he attempts to seduce a straight man in the audience, the hapless punter is invariably charmed into accepting his status as, forgive the term, the butt of Capurro's attentions. Of the younger crop of comics, Adam Bloom gave a remarkable performance on the evening I saw him, ditching a good half of his prepared material and simply free-associating; he was all the more engaging for such spontaneity.

Comedy of a different sort kicked off Flux, the Edinburgh New Music Festival. Neil Hannon and his band The Divine Comedy, confirmed as wryly grandiose pop geniuses by this spring's tour with the 30-piece Brunel Ensemble, took matters one step further by performing three concerts with the Electra String Quartet, Hilary Summers and one of Hannon's major musical inspirations, Michael Nyman. Mixing his own material with Nyman's and including a collaborative number (the perversely delightful "Grisly Knife Attack"), Hannon simply played up a storm almost literally, as the packed, sweaty venue threatened to generate its own micro-climate. The experience of hearing a six-piece pop band tackle such Nyman pieces as "Time Lapse" and "Learning The Ropes" was a unique and exhilarating sensation.

Ian Shuttleworth

Graham Norton performs at Stella Artois Assembly; other named comedians at Pleasance. Flux continues at the Jaffa Cake. Fringe Society box office: 0131-226 5138.

Theatre/**Antony Thorncroft**

Great time with a great tome

Members of the Reduced Shakespeare Company are in the shrinkage business. Give them a great tome and they will give you a great time, or at least a palatable 90 minutes of the best bits. They first cut Shakespeare down-to-size, then tackled American history. At the Gielgud Theatre they grapple with the big one, the Bible.

The Bible: The Complete Word of God (abridged) is a pleasantly innocuous evening. The RSC are a trio of clean cut Americans, into motherhood and apple pie rather than gangsta rap, and this show would hardly raise a bristle on Dr Paisley's chin. There are the occasional sly one liners – "The Bible – the greatest story ever accepted as fact", and the contrast between the perverse, capricious God of the Old Testament – he leads the Israelites for 40 years in the wilderness and then settles them on the only spot in the Middle East with no oil – and the more benign deity in the New is not over looked.

But a production which climaxes with six couples hauled from the audience to make animal noises for a performance of "Old Macdonald had a farm" is hardly abrasive cutting-edge theatre, and much play is made with a water-gun to douse the audience. This is play school for nice suburbanites who like to be gently flattered about their sense of humour.

The saving grace of the RSC is that they do not take their assignment too seriously – if there are no jokes in some Books, they are ignored. The obvious targets, like the Ten Commandments – Moses slips the Israelites the good news that he got God to halve them to ten, and the bad news that adultery is still one of them; Adam and Eve and fig leaves; and Solomon slicing up babies, are solidly hit.

Indeed the whole enterprise has a cheerful hit-and-miss quality: if a gag falls flat the team are already on to the next but three. They make a neat physical contrast, with Reed Martin bold and schmalzy, Austin Tichenor hairy and sardonic, and Matt Rippy handling the gay stuff. By the time they are tackling the New Testament, the Bible is almost forgotten. This is light hearted, good clean fun, perhaps short on sophistication but long on charm.

Gielgud Theatre, London W1 (0171-494 5065)

INTERNATIONAL

ARTS GUIDE

■ BERLIN

CONCERTS

Konzerthaus Tel: 49-30-203090
Berlin Symphony Orchestra: conducted by Jiří Bělohlávěk in works by Brahms and Dvorák. With violin soloist Viktor Tretjakow;
Aug 21, 22, 23

■ EDINBURGH

OPERA

Edinburgh International Festival
Tel: 44-131-473 2000
Ariadne auf Naxos: by Richard Strauss. This Scottish Opera production, directed by Martin Duncan and conducted by Richard Armstrong, provides an unusual opportunity to see the opera in the context originally conceived for it: as an operatic divertissement, to be performed in a version of Molière's play *Le Bourgeois Gentilhomme*. The play is performed in English in a translation by Jeremy Sams; at the Edinburgh Festival Theatre; Aug 22

EXHIBITIONS

Royal Scottish Academy
Tel: 44-171-624 6200
Sir Henry Raeburn (1756-1823): major exhibition of around 70 works by this most famous of Scottish painters, bringing together the works owned by the National Gallery with loans from around the world; Aug 1 to Oct 5, after which the exhibition will travel to London

Scottish National Portrait Gallery
Tel: 44-131-624 6200
The Face of Denmark: the product of an exchange organised with the museum's Danish counterpart, this exhibition will include works from the period 1750-1840 and portraits of famous Danes including Hans Christian Andersen and Kierkegaard. In return, Scottish portraits will travel to Denmark in the autumn; to Aug 31

■ LONDON

CONCERTS

BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● BBC Philharmonic: in works by Sibelius, Tchaikovsky and Grieg – whose Piano Concerto in A minor is played by Leeds Piano Competition winner Ilya Itin. UK premiere of Old Russian Circus Music by Russian composer Rodion Shchedrin. Conducted by Vassily Sinaisky; Aug 23
● London Philharmonic Orchestra: conducted by Sir Charles Mackerras in works by Schubert and Brahms, part of the Proms anniversary celebrations of both composers; Aug 21
● Royal Philharmonic Orchestra: conducted by Daniele Gatti in works by Schubert, Beethoven, Mozart and Hindemith. With soprano Amanda Roocroft and pianist Malcolm Martineau; Aug 22

■ LUCERNE

International Festival of Music
Tel: 41-41-210 3080
CONCERTS
● András Schiff: recital of Schubert piano sonatas; at the Union; Aug 21
● András Schiff: Yuuko Shiokawa and Miklós Perényi perform Schubert's Trio in E major for piano, violin and cello; at the Union; Aug 22
● Ensemble Musica Mensurata: conducted by Wielfried Staufenbiel in a programme of early and Renaissance music; at the Union; Aug 22
● London Sinfonietta: conducted by Markus Stenz in works by Rihm, Benjamin and Knussen; with soprano Rosemary Hardy; at the von Moos-Stahl-Halle; Aug 21
● Nederlands Blazers Ensemble: conducted by Reinbert de Leeuw in works by Rihm and Stravinsky; with pianist Peter Donohoe; at the Lukaskirche; Aug 23
● Warschauer Nationalphilharmonie: conducted by Kazimierz Kord in works by Chopin and Rimsky-Korsakow; with piano soloist Bruno Leonardo Gelber; at the von Moos-Stahl-Halle; Aug 22
● Warschauer Nationalphilharmonie: conducted by Kazimierz Kord in works by Dvorák and Tchaikovsky; with violin soloist Shlomo Mintz; at the von Moos-Stahl-Halle; Aug 23

OPERA
Jakob Lenz (1977/78): by W. Rihm. Performed by the Opernensemble und Chor des Luzerner Theaters and the Luzerner Sinfonieorchester AML. Conducted by Peter Kuhn in a staging by Reto Nickler; at the Luzerner Theater; Aug 23

■ PESARO

Rossini Opera Festival
Tel: 39-721-33184
CONCERTS
Giovanna d'Arco: sung by mezzosoprano Lucia Valentini Terrani. Programme includes works by Donizetti and Schubert. With the Ort-Orchestra of Tuscany, conducted by Yves Abel; at the Teatro Rossini; Aug 23,

OPERA
Moïse et Pharaon: presented in the version he adapted for the Paris Opera in 1827, Rossini's opera – created as *Moses in Egypt* in 1818 – is staged by Graham Vick. With the Orchestra of the Teatro Comunale di Bologna, conducted by Vladimir Jurowski; at the Palafestival; Aug 21

■ SALZBURG

Salzburg Festival
Tel: 43-662-844501
OPERA
● Boris Godunov: by Mossorgski. Conducted by Valerie Gergiev in a staging by Herbert Wernicke. Samuel Ramey sings the title role. Cast also includes Philp Langridge. With the Vienna Philharmonic, the Konzertvereinigung Wiener Staatsopernchor and the Slowakischer Philharmonischer Chor Bratislava; at the Grosses Festspielhaus; Aug 21
● Die Entführung aus dem Serail: by Mozart. New production. Conducted by Mark Minkowski and directed by François Abou Salem with designs by Francine Gaspar. With the Mozart Orchestra Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Residenzhof; Aug 22
● Wozzeck: by Berg. Conducted by Claudio Abbado in a new production directed by Peter Stein, with sets by Stefan Mayer. Bryn Terfel sings the title role. With the Vienna Philharmonic and the Konzertverinigung Wiener Staatsopernchor; at the Grosses Festspielhaus; Aug 22

THEATRE
● Der Alpenkönig und der Menschenfeind: by Ferdinand Raimund. Revival of Peter Stein's production, with sets by Ferdinand Wögerbauer. With music by Wenzel Müller; at the Landestheater; Aug 22, 23
● Othello: by Shakespeare. New production by London's Royal National Theatre, directed by Sam Mendes; Aug 22, 23

■ SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
● Arabella: Janice Watson sings the title role of Strauss's opera, in a new production directed by John Cox. The conductor is John Crosby; Aug 21
● La Traviata: Linda Brovsky directs this new production of Verdi's opera, set in the Parisian demimonde. Christopher Larkin conducts; Aug 23
● Semele: new production of Handel's opera, conducted by John Nelson and directed by John Copley. Elizabeth Futral sings the title role;
Aug 22

■ SCHLESWIG-HOLSTEIN

CONCERTS
Music Festival
Tel: 49-431-567080
NDR-Sinfonieorchester: conducted by Günter Wand in works by Schubert and Brahms; at the Schloss, Kiel; Aug 23

■ TANGLEWOOD

CONCERTS
Tanglewood Festival
Tel: 1-617-931 2000
● Boston Symphony Orchestra: and Tanglewood Festival Chorus, conducted by Robert Spano and John Oliver, in works by Rachmaninoff and Tchaikovsky. With piano soloist André Watts; the Shed; Aug 22
● Pianist Peter Serkin: performs works by Takemitsu, Reger and Beethoven; Ozawa Hall;
Aug 21

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CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Peter Martin

Once upon a time

Business myths have their uses. But they don't mean that all companies will live happily ever after

The debate about corporate governance – now under way from Oban to Osaka – is founded on a myth.

Call it the myth of the Jolly Cobbler. Like most myths, it is a stylised version of history. It comes in a number of different national versions, all ways of making sense of a messy world.

Are you sitting comfortably? Then we'll begin.

This is a story about a Jolly Cobbler. In fact, a whole family of cobblers. They make shoes and sell them to the other villagers. They employ local apprentices, use local leather and own their own tools and shop. They are as happy as can be. Or not: happiness cannot be guaranteed. But at least they have no corporate governance problems.

The owners manage the business, so there is a clear identity of interest between ownership and management. They are fully integrated citizens of their village, so they are unable to ignore the interests of other stakeholders – suppliers, workers, customers, neighbours. Everyone prospers: it is a golden age.

This part of the myth is common to all the national variants. Now comes the part where the myths diverge. Here is the British version (the American one is similar).

So successful – as well as jolly – are the cobblers that almost overnight, they become International Cobblers PLC, a public company.

The shares in International Cobblers are now owned by faceless institutions, and the company is run by a cadre of professional managers. The new managers own few shares: they draw their rewards from salaries, bonuses and rapidly-cashed-in share options. Their interests lie in expanding the company, and in increasing their own remuneration. They diversify unwisely and pay themselves too well.

Because their plants are spread all round the world, they have no close links with any of their stakeholder communities: shareholders, workers, suppliers, customers and neighbours can all be ignored. It is the worst of times.

Eventually, the shareholders revolt. "Give us better corporate governance," they cry. In the background, the other stakeholders are murmuring too, but – this being the British version of the myth – no-one pays much attention to them. Still, the shareholders make enough fuss that eventually a series of documents is produced: Cadbury, Greenbury, Hampel, Uncle Tom Cobleigh and all. There is a lot of grumbling, but in time the company's managers are reined in by strong non-executive directors, a remuneration committee, and a fresh commitment to shareholder value.

In the German variant of the myth, Schumacher AG also falls into the hands of professional managers. But instead of wasting time on diversification, the company devotes all its energies to making its bankers, workers, customers and neighbours feel happy. Only the shareholders are short-changed. Eventually, however, growing pressure from the vociferous minority of overseas shareholders forces Schumacher to pay more attention to its owners.

Every country has its own variant of the myth. In the French one, for example, Souliers SA is run by a graduate of the *Ecole des Ponts et Chaussures* and becomes an unofficial arm of the state.

In every version, however, the myth contrasts the golden age of owner-managers with the new era in which the two are separated. And the myth-making has a point: it seeks to restore, as far as possible, the identity of interest of the owners and managers; and if, in the process, the concerns of other stakeholders are also addressed, so much the better.

There is nothing wrong with the myth of the Jolly Cobbler, except that it is untrue, or at any rate incomplete. Far from being a recent development, the separation of owners and managers, and the problem of reconciling their interests, goes back to the earliest days of large-scale business. It is not, in other words, a result of a decline from a past golden age but an issue entwined in the fibres of modern industrial capitalism. That does not mean that it is unimportant; but it means that we cannot simply hope to return to the original state of grace.

The existence of different national myths conceals the fact that, although different countries have tackled the problem with different formal structures, the underlying reality was often much more similar than national stereotypes suggest.

As Youssef Cassis explains in a new book on European business history*, professional managers have been running big companies for a very long time. In the early part of the century, in the UK and France, they were often not board members; in Germany, where professionalisation of the business elite happened sooner, they dominated the management board. In all three countries, there was an inherent tension between salaried managers and shareholder representatives (board members in Britain and France, supervisory board members in Germany).

The significant change, in Mr Cassis' view, has been not so much in the formal structures of corporate control but in the prestige of the salaried managers. From being second-class citizens (in Britain, at any rate) they have become board members and "full members of the country's business elite". It is this rise in status that makes them hard to control.

The myth of the Jolly Cobbler throws little light on this. By contrasting the golden age of proprietorial capitalism with the distopia of unfettered managerial control, it ignores the social and political context in which corporate governance actually occurs.

This does not mean that the documents the myth inspires, such as the recent Hampel report, are unhelpful. On the contrary, the Hampel report compresses a great deal of common sense into a few clearly written pages. But such documents will always prove inadequate for those who seek to restore a mythical golden age. And for the professional managers who cherish their new status, they will often seem irritating restraints on action.

At the heart of the corporate governance issue is the need to recognise am important distinction. Getting the rules right in normally managed companies in normal times is a useful process. From time to time, as the social context changes, the rules must be refreshed. Documents like Hampel can help. But by and large, in normal times, there is no great need for elaborate governance structures.

But when things go seriously wrong in a company – when the chief executive becomes too dominant, or the strategy loses touch with the real world – a quite different sort of response is needed. In such cases each company, and each context, is different, and the myth of the Jolly Cobbler does not help. The most that corporate governance can do in such circumstances is to provide a point of leverage for shareholders or other stakeholders. Some genuinely independent directors – one of them, ideally, a non-executive chairman – can provide such a point of leverage. Their response to the moment of crisis must be guided by integrity, courage and common sense. They will get little guidance from a load of cobblers.

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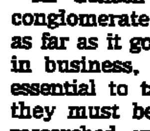
**Big Business: The European Experience in the Twentieth Century. By Youssef Cassis. Oxford University Press, £35*

BOOK REVIEW · Tony Jackson

THE SYNERGY MYTH: By Harold Geneen
St Martin's Press, $24.95

Future lessons from yesterday's man



In a double sense, Harold Geneen is yesterday's man. At 88, he belongs to corporate America's distant past. ITT, the conglomerate he built up, seems to be following him into the history books. Two years ago it was broken into three. The largest part is now being broken in three again.

Paradoxically, this makes him relevant to the future. On some topics, management fashion swings like a pendulum: between centralisation and decentralisation, outsourcing and insourcing, focus and spread. Conglomerates have been out of fashion for years. It is therefore a fair bet that they are coming back.

Mr Geneen's case for the conglomerate is persuasive as far as it goes. To succeed in business, he says, it is essential to take risks. But they must be smart risks: researched, understood, survivable. The conglomerate, he claims, is a good vehicle for identifying and exploiting them.

Why, then, did his own empire disintegrate? Given the unshakeable self-belief his book displays, the answer is predictable: because he was not there.

"Running a conglomerate," he writes, "requires working harder than most people want to work and taking more risks than most people want to take... After I left, the company veered onto a new course, emphasising consolidation rather than growth... Often, I have felt the stab of frustration and regret, wondering what might have been."

This will not do. In the last five years of Mr Geneen's tenure, ITT's stock underperformed the US market by 30 per cent. From there until break-up, it underperformed by a further 40 per cent.

For Mr Geneen, this part of the record scarcely matters. He refers with pride to ITT's overall growth between 1959 and 1977 under his stewardship. His figures are certainly worth recording. Annual sales went from $765m to nearly $28bn. Earnings went from $39m to $562m. Earnings per cent went from $1 to $4.20.

That is, the company's sales rose 36 times, its earnings 19 times and earnings per share 4 times. Revenues were assembled through the simple process of acquisition, while margins almost halved. As for earnings per share, their increase was bang in line with nominal US gross domestic product over the period. So from a shareholder's perspective, ITT was growing no faster than the economy overall.

Defenders of the conglomerate point to one stunningly successful example, General Electric. Mr Geneen does the same. But there is one big difference. GE is not, on the whole, an acquirer.

The era of the acquisitive conglomerate depended on market inefficiencies, whereby companies could use the change of ownership to secure bargains not available to portfolio investors. By and large, the markets now ensure that those bargains no longer exist.

In addition, a company such as ITT needed a continuous supply of companies with the same attitude to investors displayed by Mr Geneen himself. If they failed to deliver value to shareholders, that value could be unlocked through takeover. In today's climate of investor capitalism, institutions insist on capturing that value themselves. That was why, in the end, ITT had to be broken up.

This is a fundamental change which Mr Geneen understands, but fails to apply to his own case. Early in his tenure, he remarks, he borrowed $2m to exercise options he had been awarded on arrival. When he left, the weakness in the share price meant that after paying off the loan, he was $2m in profit.

"That was my payback", he writes, "for 18 years of building ITT into one of the great companies in the world." The fact that his fellow-shareholders were in the same boat evidently does not occur to him.

Perhaps this is being too hard on the book itself. It is in no sense a closely argued tract, but a relaxed and garrulous monologue: agreeable to read – it was ghost-written by a New York Times man – and occasionally striking.

Mr Geneen's views – and there are few topics on which he does not have them – were formulated long before the era of downsizing and re-engineering. Here too, they may be relevant to the future as the pendulum swings.

The worst thing to have happened to business in 35 years, he writes, is the shirking of responsibility by managers for the welfare of their employees. Downsizing is the mark of corporate failure. The chief executive's pay should fall accordingly.

As some of his other views make clear, this has nothing to do with softness of heart. The antidote to downsizing is growth. Mr Geneen knows all about that, in revenue terms at any rate. Now, in an era of low inflation and high efficiency, a generation of US managers 50 years his junior is again finding it is the only way to take their businesses forward.

The Synergy Myth is available from FT Bookshop by ringing FreeCall 0500 500 635 (UK) or +44 181 324 5511 (outside the UK). Free p&p in UK

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Translation may be available for letters written in the main international languages.

Challenge to investors of the volatile euro

From Mr Avinash Persaud.

Sir, In the debate that will ensue on whether the euro will be hard or soft ("The strength in numbers", August 11), it is clear that it will be volatile. The dollar/euro exchange rate will be significantly more volatile than dollar/D-Mark or dollar/sterling, challenging corporate treasurers and international investors alike.

There are four reasons. If the euro quickly challenges the dollar's begemony in international finance, the resulting portfolio shifts by central banks, investors and corporates into euros will not conform to a smooth schedule. Speculation surrounding the size and timing of these shifts, estimated by J. P. Morgan to be in the wide region of $300bn over the next five years, will add to volatility even before they happen.

Second, uncertainty over the value of the new currency and the behaviour of the new central bank will add to volatility. Every event will be afforded great significance by market participants hungry for a frame of reference for the euro's value.

Third, the euro's arrival transforms G7 from a body dominated by small, open economies into "G3" a body dominated by large, "closed" economies. As the gyrations of the dollar prove, large closed economies are less affected, and their monetary authorities less concerned, by exchange rate volatility. Remove the veil of concern by central bankers and markets may take exchange rates to extremes.

Finally, removing volatility from one market merely shifts it into another. Go from floating exchange rates to fixed rates and interest rates are forced to rise and fall more.

There is already evidence that falling exchange rate volatility within Europe has "led" to rising volatility of the dollar/D-Mark and D-Mark/yen exchange rates. Why? Economic shocks from Helsinki to Rome are being reflected in a diminished number of channels of which the dollar/DM exchange rate today and dollar/euro rate tomorrow will be the most sensitive.

The euro will not be as weak as the Emu-pessimists claim, but it will not be as stable as the optimists hope.

**Avinash Persaud,
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IFC participation ensures responsibility

From Mr Mark Constantine.

Sir, Your article "Chile dam row shows IFC's problems with projects" (August 8) reported on the publication of an independent review of the Pangue hydroelectric project. The article acknowledges that International Finance Corporation was precluded from publicly releasing the entire document based on the independent advice of outside lawyers.

However, there was no editing or rewriting of the original text. It was our objective to make as much information public as possible about IFC's own performance – be it positive or negative – yet avoid costly litigation. That is a far cry from the reported allegation of document "censoring".

And, if one had read the publicly released report, it would be clear that many portions were highly critical of IFC. Therefore, it is equally disingenuous to claim that IFC was trying to avoid embarrassment.

Missing from the article was any mention of the many improvements incorporated into the Pangue project as a result of IFC's participation. These enhancements included preparation of an environmental assessment, consultation with local stakeholders, an operating plan to protect downstream water users and the ecology of the river, and creation of an ecological station, to name just a few. IFC also insisted on the establishment of a foundation to bring project benefits to the local indigenous population.

Neither IFC nor the Pangue project are perfect. But the facts are very clear. IFC's participation in Pangue and other enterprises helps ensure that these private sector activities are more environmentally responsible and socially sustainable.

**Mark Constantine,
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Valuable lessons on life in real world

From Professor N. W. Simmonds.

Sir, I liked Niall Ferguson's article "Alternative way to meet the university challenge" (August 16) and sympathised with much of it: yes, school standards probably really are collapsing; yes, political and treasury crooks probably will loot the proceeds; yes, there are some very lazy teachers around, most pretending to do research; yes, social/political/media, and so on, garbage becomes ever more prominent at the expense of serious studies; and yes, the "televersity" idea indeed sounds both cheap and attractive.

But Mr Ferguson gets two important things wrong, I think. First, he values the social virtues of universities purely for sex and alcohol, ignoring the profound value of student-student and student-staff interactions. Good teachers have value far beyond the lecture theatre.

Second, he (correctly) values science studies highly, but quite fails to explain how the "televersity" could run practical classes effectively.

Perhaps Mr Ferguson is as ignorant of teaching science as one would expect a historian or sociologist or media-person to be. If he wants to be taken seriously, he ought to learn something about real life, not just history in Oxford.

**N. W. Simmonds,
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Rise in cost of BAA project is no news

From Mr Russell Walls.

Sir, When we announced our results for 1996-97 and published our annual report in June, we said that the cost of BAA's Heathrow Express project had risen to £440m ($717.2m) and gave the reasons – the tunnel collapse in 1994, buying our partner's stake, and upgrades such as check-in facilities at Paddington.

Imagine my astonishment therefore to find the Financial Times giving space to this story 10 weeks later ("BAA admits increased cost of Heathrow link", August 20). It must be the time of year.

Heathrow Express had one setback with the tunnel collapse in 1994. At each stage since then we have kept investors informed of progress and costs. The full service from Paddington to Heathrow in 15 minutes begins in June 1998. It will be the first major improvement to London's transport network this decade, built and run by BAA profitably and at no cost to the taxpayer.

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Thursday August 21 1997

Free the FCC

Last year's US Telecommunications Act was intended to bring about a swift restructuring of the telecoms market, introducing full competition for the local, long distance and cable television services businesses.

Progress has been painfully slow. The principal regulator, the Federal Communications Commission, has the task of deciding when local telephone companies are entitled to enter the long distance business. It has suffered a number of legal setbacks, however.

The FCC's aim of setting national pricing rules for the terms on which local and long-distance carriers interconnect their networks – the key issue in promoting competition – has had to be set aside. The courts decided the Act left price setting to individual states rather than the regulator.

The decision was a serious blow to rapid liberalisation of local markets. Clearly, the commission has been given inadequate statutory tools to carry out its task effectively. Reed Hundt, the commission's outgoing chairman, last week suggested Congress might look again at the Act, to give the FCC sharper teeth.

In the meantime, Mr Hundt is pursuing what he calls a "belts and suspenders" approach, to achieve the same effect by other means. One example is Tuesday's decision to refuse an application by Ameritech, the Chicago-based local operator, to enter the long distance market in Michigan.

Ameritech's application was rejected because it had failed to show that it had met all the requirements of allowing competitors equal access to its market. But FCC tempered its decision by providing Ameritech with a "road map", showing the criteria it must meet to gain long distance approval.

This will go a long way to retrieving the ground lost through the courts' decision. It re-establishes the FCC's authority to set national rules governing how and when local operators can enter long distance markets. It gives Ameritech and other would-be long-distance challengers a clear idea of their obligations. And it warns the long distance operators that new competitors working to meet these obligations are serious about competition.

This approach lends justification to the plans of long distance operators such AT&T and BT/MCI to break into local markets. It makes it more dangerous for such companies to lower their ambitions.

Belt and suspender strategies are, however, inadequate for the world's largest telecoms market. Congress should consider an amended Act, giving the FCC the tools to finish the job.

Firmly pegged

Hong Kong's financial markets stabilised yesterday as pressure on the local dollar eased. There can be no guarantee that turmoil will not return, but there must now be grounds for hope that this week's speculative attack on the currency will prove as short-lived as it was bizarre.

There is a world of difference between Hong Kong and Thailand. One is a small territory operating a currency board backed up by large reserves that cover its banknote issue several times over. The other is a full-sized country that was operating a loose peg backed by a small and rapidly dwindling hoard of reserves. The Thai baht was vulnerable to attack. The Hong Kong dollar is not.

Unlike Thailand, Hong Kong's domestic economy is robust and its government finances sound. True, its property market looks a touch frothy but there is nothing like the glut that has brought such misery to Thailand's real estate developers and banks. Hong Kong's new government has the luxury of choice on currency policy. With the backing of China, it has rightly – and predictably – decided to stick with the peg.

There are both political and economic reasons why this makes sense. The economic justification is that, in Hong Kong's outwardly oriented economy, it helps business to have a currency with a stable external value.

There is a trade-off in terms of domestic inflation. But Hong Kong's high costs reflect its high productivity and continuing competitiveness in the service sector which shows every sign of continuing.

Hong Kong's obligation to synchronise its monetary policy with that of the US means the local cycle, which is heavily influenced by China, can be more violent. But, in stark contrast with Thailand, its banking regulators and financial institutions are well able to cope.

From a political perspective, abandoning the peg so shortly after the handover would involve a disastrous loss of face for China and Tung Chee-hwa, Hong Kong's new leader. Confidence would collapse in China's ability to preserve Hong Kong's prosperity and its way of life. The "one country two systems" concept would immediately be deemed a failure.

In the very long run, it might make sense to re-peg Hong Kong's currency to the Chinese yuan. But it will take years for the two economies to converge sufficiently. If George Soros and his like want to argue with that, good luck to them.

Truly clever speculators know it is only worth taking a position when there is some chance of actually coming away with a profit.

UK electricity

Professor Stephen Littlechild, the UK electricity regulator, yesterday put his gun back in its holster. He decided instead to call the regional electricity companies into the saloon bar for another drink over his plan to change the way in which prices are regulated.

He wants to end the system which allows the distribution companies to pass wholesale power costs straight through to domestic customers. Instead, he has suggested, during lengthy consultations, that he would set maximum tariffs, leaving the retailers to negotiate the best deal they could with the generators.

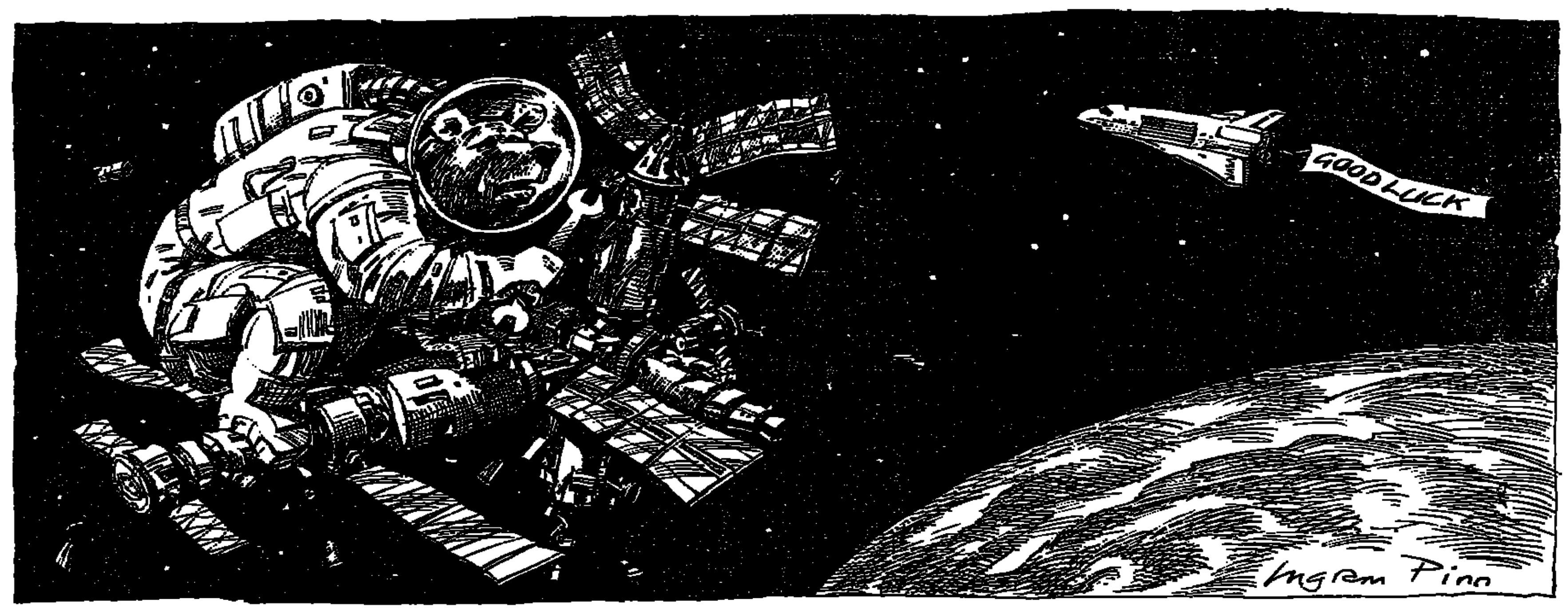
After the third of his five consultation papers, a majority of the companies said they were at least not against this approach. But when he started to talk money in the fourth paper, the mood turned uglier.

He has evidently decided now, in the fifth and final consultation paper, that he cannot afford a full scale shoot-out in front of the Monopolies and Mergers Commission, and has weakened the price restraint.

Perhaps, more like a carpet salesman than a sheriff, the regulator opened with terms which he knew were too steep before trying to make a sale of his new system. But there is also a sound economic argument for regulating the electricity companies with a somewhat slacker rein in the next two years. From 1998, competition is to be allowed into the retail business at all levels. If successful, this will be far more effective than regulation in restraining prices to an economically efficient level. But if prices and profits are restrained too sharply during interim period, new competition will be discouraged and domestic consumers will be left in the grip of regulated monopolies.

Against that background, yesterday's numbers might appear to be a reasonable compromise. However the regulator's attempts to use price restraints on retailers to put pressure on the generating companies is less well judged, as the ebullience of generators' share prices clearly signalled yesterday. Distributors have limited leverage in a market dominated by two large power companies. So it is possible that an easier regime on retailing monopolies will result merely in higher margins for their suppliers.

The remedy, in generation as in regional supply, must be vigorous competition. The emergence of new suppliers in the power market has not done enough to make the market competitive. The regulator must therefore reload his gun, put on his badge and round up the usual suspects before the monopolies commission with a view to splitting them into four or five companies. Only then can there be a real fight in the market place – till the last price falls.



In the mire

Clive Cookson and Chrystia Freeland ask whether Russia's space programme can recover from the crisis affecting Mir

Tomorrow two cosmonauts are due to carry out one of the most perilous exploits in the history of space flight. In walking out into the damaged and airless parts of their space vehicle, Anatoly Solovyov and Pavel Vinogradov will not only be risking their own lives. They will be attempting to secure the future of the Russian manned space programme.

The "internal spacewalk" will take them into the appropriately named Spektr – the laboratory module of the Mir space station – which has been sealed off since an unmanned supply vessel smashed into it on June 25. The hazards floating inside the dark module may include chemicals and sharp debris from broken experiments.

Their first and most critical mission is to re-attach power cables from Spektr's solar panels. This would restore most of Mir's electricity supply, which has been cut off since the collision.

If the power supplies cannot be restored, the Russian Space Agency will face overwhelming pressure to abandon the trouble-plagued Mir, on safety grounds. That would put a temporary end to its manned space activities, which depend on Mir. It might also place in doubt Russian participation in the planned International Space Station (ISS), a US-led project on which an estimated $30bn is to be spent over the next few years.

The ISS is to be a base for space exploration in the next century – for observing the Earth, for scientific experiments and manufacturing operations that require weightless conditions and, more futuristically, for expeditions into outer space. Although US funding for the ISS has so far survived challenges by budget-cutters in Congress, Russian withdrawal would threaten the whole grandiose project.

Mir was planned both as a scientific platform and to explore the limits of human endurance in space. Its main module was launched in 1986, when Soviet space power was at its zenith and the US was reeling from the shock of the Challenger shuttle disaster.

Eleven years later, the contrast between Russian woes and American joy in space could not be greater. This week the US shuttle Discovery has completed a flawless flight, packed with scientific experiments – and the Mars Pathfinder continues to send back spectacular observations from the red planet – while the crew of the Mir can do no more than oppose a sea of troubles.

The two cosmonauts and their Nasa colleague, Michael Foale, have a long list of urgent repairs to carry out, beyond restoring Mir's power supplies. Their problems include a computer that is liable to crash, erratic oxygen generation and contaminated drinking water. They have a programme of half a dozen spacewalks over the next two months, including an attempt to seal an inch-long gash in Spektr's outer skin so the module can be repressurised.

In the Soviet era, the Americans would have been quietly exulting in the Russians' problems. In the current age of co-operation, they are sharing them – as the presence of Mr Foale, makes clear.

Nasa is providing its cash-starved Russian counterpart with extensive technical assistance and $400m over four years. That is serious money for the Russian Space Agency, whose total 1997 budget is just under $400m. In exchange, Nasa is acquiring invaluable experience on Mir, the world's only permanently manned station, which is being used to design and build the ISS.

In Moscow, Mir's travails have been seen as an example of both the best and the worst of the new Russia.

At one level, they are a metaphor for the difficulties Russia's shrunken economy has undergone as it travels down the rocky road of market reforms. Space officials take every opportunity to blame shortages of money and resources for their problems.

On the other hand, the crew's endurance is also viewed as a characteristic display of the stoicism which has allowed Russia to survive war and revolution, and which may now be bringing the nation hope of an economic and social revival.

The political storm surrounding Mir has offered insights into the successes and failures of Russia's democratic transformation. Since the collapse of the Soviet Union, the space programme has become a loaded political issue, representing one of the Kremlin's last, lingering claims on international greatness.

Mir's accidents and breakdowns have tarnished that symbol and Boris Yeltsin's initial reaction has revealed that, in a crisis, he is still inclined to follow his Soviet-era instincts. On a tour of the Krunichev space centre last week, the Russian president heaped praise on his country's space programme, blaming Mir's difficulties on "the crew, the human factor."

The search for individual "saboteurs" is a time-honoured Soviet tradition, but public reaction to the president's statement attested to the emerging power of an independent civil society. Some Russian newspapers rushed to defend Vasily Tsibliyev, the Mir commander who returned to Earth last Friday after six anguished months in orbit, urging the Kremlin not to make him a scapegoat.

The cosmonauts have not been afraid to defend themselves in public. Mr Tsibliyev opened his back-to-Earth press conference at Star City with an ominous prelude: "This was the very luckiest expedition, because we returned alive, although many people here on Earth clearly wanted us to return as corpses."

Mr Tsibliyev's words sounded particularly grave as they rang out in the vast conference hall of the House of the Cosmonauts. Underscoring the "out-of-this-world" nature of people who travel into space for a living, the two cosmonauts were separated from the crowd of reporters by five rows of seats a *cordon sanitaire* to protect them from the infections to which returnees to Earth are vulnerable.

Exculpating himself, Mr Tsibliyev indirectly blamed mission control for the crew's problems, saying that none of the radio messages offering instructions on dealing with emergencies had provided appropriate guidance.

Mir may be mired in difficulties but it is thriving in comparison with the rest of the state space sector. There is virtually no money for unmanned scientific missions, and the spectacular failure of Mars 96 last November more or less killed off Russian ambitions to explore other planets.

In contrast, Russia is emerging as a world power in the business of launching satellites. Capitalising on their low costs, and co-operating with space facilities in the former Soviet republics of Ukraine and Kazakhstan, Russian rocket manufacturers are winning western clients. Proton rockets, marketed jointly with Lockheed Martin of the US, consistently lift international communications satellites into orbit. The next launch, for PanAmSat, is due on Tuesday.

Russia's commercial space programme could receive a further boost from Sea Launch, an ambitious international project to launch satellites from a platform in the Pacific Ocean. Supported by $200m World Bank guarantees, the project is a joint venture led by Boeing of the US and involving Russian and Ukrainian rocket and launch organisations.

Sea Launch is due to come into operation late next year. At the same time, the Russian Space Agency should launch the first components of the International Space Station.

Western space officials working with the Russians say the past few weeks may have been a watershed. They believe events on Mir have shocked President Yeltsin and his colleagues into giving a political and financial commitment to the space programme at the highest level. If so, the upshot could be something that seems out-of-this-world at the moment: the beginnings of a Russian renaissance in space.

Mir's six months of trouble

February: fire
An oxygen canister bursts into flames on February 23, filling the station with puffs of vapour and smoke. Russian officials say the crew put out the fire using a wet towel and fire extinguisher.

March: oxygen system breakdown
Both oxygen generators fail in the first week of March, forcing the crew to rely on canisters similar to the one that exploded in February. The crew repairs one unit. A back-up is brought aboard a US space shuttle in July.

April: cooling system leaks
The temperature control system begins leaking harmful coolant in early April, briefly raising temperatures in parts of the station to above 86°F (30°C). The leaks cause Mir's primary air-purification system, which removes dangerous carbon dioxide from the air, to fail, forcing the crew to temporarily rely on a back-up. They are eventually found and fixed.

June: collision
A Russian supply ship crashes into the station on June 25 during a docking exercise, causing one of Mir's six modules to lose pressure. The crew close the hatch to seal the damaged Spektr module off from the rest of Mir. About half the station's power is lost in the aftermath.

July: ailing heart
Mir's 43-year-old commander, Vasily Tsibliyev, complains of heart irregularities, prompting mission controllers to declare him unfit for the repair mission to restore power lost in the June collision.

July: blackout
Mir loses nearly all its remaining power on July 17 when the crew accidentally disconnects a cable that delivers electricity to the mechanism that points the ship's solar panels toward the sun. Power is restored 24 hours later.

August: oxygen system
The space station's oxygen generators break down, a fault that had occurred repeatedly over the previous week.

August 17: docking failure
A faulty computer program prevents the planned docking with an unmanned supply ship

August 18: computer crash
The docking takes place, but the main computer fails at the same time, knocking out the system that keeps the station's solar panels pointing toward the sun.

· OBSERVER ·

Fortress Frankfurt

■ From its snazzy new skyscraper headquarters, Commerzbank is trying hard to maintain an air of impregnability – despite the rumours swirling ceaselessly around its walls.

Whether Germany's third biggest commercial bank is taken over, merges or stays happily independent, chairman Martin Kohlhaussen doesn't seem to be losing any sleep. Now on holiday, 61-year-old Kohlhaussen will return on Monday to the 48th floor Frankfurt office which gives him a superior view of the local banking scene.

Dislodging him won't be easy, though rumours about Commerzbank's future have reached gale-force since Bavaria's big two banks got engaged last month. If that marriage and another Berlin-Hanover banking link are successfully concluded, Commerzbank will slip to fifth place in the German league.

HSBC and Swiss investor Martin Ebner are the latest names rumoured to be waiting in the wings. But Kohlhaussen has repeatedly affirmed his determination that Commerzbank – the world's 28th biggest bank by assets – should remain independent. With four more years of his contract to run and a strong profits performance under his belt, he is certainly undisputed master in his own house. And bolstered by his position as president of the German banking association, he'll fight hard to stay that way.

Delegate matter

■ South Korea might have chosen a different ship to transport a delegation of international luminaries on a rare visit to North Korea this week. The vessel, which was forbidden to fly the South Korean flag in North Korean waters, was called *Hannara* – or "one country". Mac Williams, Australia's ambassador to Seoul, says North Korea found the name provocative given the rivalry between the two regimes.

Williams was part of a delegation taking part in ground-breaking ceremony for a new lightwater nuclear plant – promised after North Korea agreed to abandon a nuclear programme that would have provided it with weapons-grade plutonium.

Not many outsiders get into the area, and delegates say there was no evidence the government of Kim Jong-il was losing its authority despite the country's extreme shortage of food. But the trip was not without incident. On the way back to port one of the delegation's trucks careered off the road; the assembled ambassadors had no choice but to wade knee deep through mud as they struggled back to the boat.

Banker's graft

■ Long after other Greece-based bankers have packed their bags for the beach, Ersoy Volkan is kicking his heels around Thessaloniki. Volkan is the chief executive of the Black Sea Economic Co-operation Bank: the international institution was set up two years ago to promote regional trade, but it still hasn't opened for business.

Not all the bank's 11 shareholder countries own a stretch of Black Sea coastline – but that doesn't seem to matter. Greece, Albania, Moldova, Armenia and Azerbaijan were already members of the parent organisation, the Istanbul-based Black Sea Economic Co-operation Council.

Volkan, a Turkish national who worked for Citibank in Ankara and New York, got the job after the council agreed to base the bank in Greece – provided it was headed by a Turk. The Greeks argued that, as the only EU member in the group, they would be able to raise funds for the bank in Brussels.

The new institution was supposed to open its doors in May, but apparently some countries still haven't paid up their share of the equity. While Volkan kicks his heels it's beginning to look as if Greece will have to stump up funds on behalf of several smaller, cash-strapped shareholders.

Arch enemy

■ Putting priests in charge of law and order has been out of fashion since the Spanish Inquisition. But that hasn't stopped Honduras appointing a new police chief who's more used to brandishing a bible than a baton. The country's legislature yesterday voted overwhelmingly in favour of putting Archbishop Oscar Rodriguez, the country's top Roman Catholic cleric, in temporary charge of the police force. It's the first step in a drive to take law enforcement out of the hands of the military.

Politicians reckon Rodriguez – who's also president of the Latin American conference of bishops – is just the man to tackle rising crime until a new Security Ministry takes over next year. The archbishop of Tegucigalpa has got eight months to knock the force into shape. No-one's saying if he's going to abandon his robes for something a little more in keeping.

The Financial Times

100 years ago

Capital In Russia
The Czar's Finance Minister is anxious to have foreign capital flow freely into the country, but he gets very little from Great Britain, although, as our Consul at Odessa observes, Russia presents most excellent opportunities for employing surplus funds. As showing how far other countries surpass us in utilising this rich field, we may remark that of the foreign companies registered in Russia, twenty-one are French, twenty-six Belgian and eight German. Great Britain is represented by only three companies. Most of these undertakings do exceedingly well, some we are told distributing dividends of 40 to 80 per cent.

50 years ago

U.S. Films In Denmark
Copenhagen, 20th August. A representative of eight major American film companies met Danish Government officials here this afternoon for discussion on a Danish proposal to cut film imports. Danes want a quota system which would ensure obtaining the best of American films only.

FINANCIAL TIMES
Thursday August 21 1997

Bangladesh garment makers 'facing ruin'

By Kasra Naji in Dhaka and Michael Smith in Brussels

Bangladeshi garment manufacturers, who export more T-shirts to Europe than anyone else, claim they face bankruptcy because of a dispute with the European Union over access for their products.

The EU wants the Bangladeshi government to cancel nearly 7,000 allegedly fraudulent export certificates – but the cancellations would pave the way for individual EU countries to collect several years' backlog of taxes from garment exporters. The backlog could amount to more than \$100m, according to Bangladeshi estimates, which could ruin smaller exporters.

The Bangladesh Garment Manufacturers and Exporters Association fears that, in the end, Bangladeshi manufacturers will either have to pay most of the back taxes or risk losing their European buyers.

The EU claims the irregular export certificates violate rules of origin under the Generalised System of Preferences (GSP). Less developed countries, such as Bangladesh, receive favourable access to European markets and, under the GSP, are exempt from 12.5 per cent import duty on goods manufactured locally, up to a certain volume.

In the case of knitted products such as T-shirts and sweaters, the GSP requires a three-stage transformation from local yarn to fabric to finished product. However, an EU delegation found the authorities had issued EU-approved export licences to exporters who had imported their yarn.

The dispute coincides with plans by the EU to allow several countries, including Bangladesh, to export a certain volume of garments into the union tax-free, even if the the raw material does not originate from their country. In the case of Bangladesh, however, the EU is only prepared to allow this if its government first cancels the allegedly fraudulent certificates.

Until the dispute is resolved the EU is prepared to allow duty free imports of garments which genuinely originate in Bangladesh. It believes these form a minority of the total.

The industry itself is divided on how to respond. Mostafa Golam Quddus, president of the Bangladeshi manufacturers group, has called on his government to stand firm and not jeopardise its credibility by cancelling the certificates, even at the risk of losing favourable market access.

But his statement was sharply criticised by Anisur Rahman, former president of the association, who described it as "suicidal".

FBI seizes documents in hunt for stock fraudster

By Christopher Parkes in Los Angeles and William Hall in Zurich

The international pursuit of Irving Kott, a convicted stock fraudster, resumed in Basle, Switzerland, and Beverly Hills in the US this week with synchronised raids on the offices of discount broker J.B. Oxford.

The FBI said the seizure of documents related to a "white-collar crime investigation", while the firm reported both offices continued operating normally after Federal Bureau of Investigation officers and Swiss police took away unidentified documents on Tuesday.

The US Securities and Exchange Commission also served subpoenas on the firm and some of its employees, the firm said. It could not name those summoned, and executives at the Beverly Hills headquarters, who include Mr Kott's son Ian, recently promoted to chief operating officer, were not available for comment.

Mr Kott senior's role at the firm was as an "ad hoc consultant on marketing and advertising", the firm added.

In Basle, Mr Felix Oeri, Oxford chairman and 20 per cent stakeholder, said the firm was co-operating with the authorities and he "did not think" he would appeal to prevent the documents going to US investigators.

Although the object of the raids was not officially disclosed, it is understood the main targets included papers relating to the firm's links with Mr Kott, a Montreal resident first convicted of stock fraud in Canada in 1976.

On that occasion he was fined C\$500,000 (US\$360,000) in Ontario for the deceitful promotion of mining stocks.

Mr Kott was also linked with First Commerce Securities, an Amsterdam firm shut down in 1986 after allegedly duping thousands of investors.

Mr Kott left Europe as police issued arrest warrants for several FCS executives. Extradition efforts foundered, and, according to some reports, Mr Kott settled the case with a \$4m payment to investors.

Oxford, which also has branches in Miami, Chicago, Boston, Dallas and New York, has been run since 1994 by Stephen Rubenstein, a former Price Waterhouse accountant.

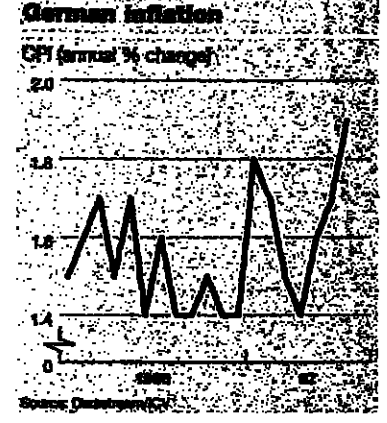
According to a spokesman, he conducted his own investigation of Mr Kott's history, and felt his experience in promotion could be useful.

Oxford, under its previous name of RKS Financial, owned Reynolds Kendrick Stratton, a retail brokerage fined several times by the National Association of Securities Dealers, and the target of lawsuits from disgruntled investors.

THE LEX COLUMN

German jitters

FTSE Eurotop 300 index: 4958.4 (+44.2)



Will five years of falling German interest rates come to an end when the Bundesbank council meets today? It seems unlikely. Consumer inflation is still only 1.9 per cent and M3 money supply growth of 5.7 per cent is well within the Bundesbank's target band. Moreover, domestic demand remains frail and 4.3m people are unemployed. But it is hardly surprising that the market got the jitters last week when Otmar Issing, a Bundesbank council member, pronounced that inflation was heading "in the wrong direction". Ten years ago it was a rise in German rates that precipitated a global stock market crash. This time round, the impact on countries trying to qualify for economic and monetary union might be equally dramatic.

Mr Issing's concern is clear enough: inflation may be low, but it is bumping up against the Bundesbank's unofficial 2 per cent ceiling. And the risk is that, in the months ahead, it will pop above that level. Clearly D-Mark weakness is a further consideration. Ostensibly the Bundesbank does not have a target value for it. But inasmuch as it feeds into inflation, it is a factor.

Right now, the Bundesbank probably lacks the ammunition to argue for tighter policy. But faced with higher inflation, a D-Mark heading towards DM2.0 against the dollar, or both, it will quickly shed any inhibitions. Correctly, it will give short shrift to arguments that escaping from the economy's structural problems requires a weak D-Mark. Problems that were created in Bonn should be solved in Bonn, not Frankfurt.

US telecoms

Eighteen months after deregulation, the US telecommunications industry looks as monolithic as ever. Though plenty of new operators have sprung up, the five Baby Bells continue to rule their local regions, while AT&T, Sprint and MCI still dominate long-distance traffic. The whole point of last year's legislation, to encourage the Baby Bells and the long-distance operators to make inroads into each others' markets has, so far, been a conspicuous failure.

That is finally starting to change. While the Federal Communications Commission has just rejected yet another attempt by a Baby Bell – this time Ameritech – to enter the long-distance market, it was the nicest kind of rejection. With a bit of tweaking and a bit more investment in its switching systems, Ameritech should be able to resubmit its application and stands a good chance of getting approval before the end of the year. Moreover, the FCC's 210-page ruling on this case sets out, for the first time, a detailed "road map" of how to win approval, providing the other Baby Bells with an invaluable blueprint.

Extra competition will, of course, be bad news for the long-distance operators, whose margins are already only half those of the Baby Bells. But there may be a silver lining. Once they have been allowed into long-distance, the Baby Bells will be in a weaker position to continue frustrating new entrants into their local markets – the source of so much woe for MCI and, by extension British Telecommunications.

Rentokil Initial

Rentokil Initial has an unerring ability to meet its 20 per cent earnings growth target. This time, it was saved by the chancellor of the exchequer's recent tax cuts which nudged it over the threshold. Presumably, it would otherwise have had to cut back on marketing costs to get there. But without BET, last year's acquisition, no amount of cuts would have been enough. Its old pest control business is recording flat profits, and organic sales growth remains low. Management efforts are all concentrated on squeezing costs out of BET. But profits growth from the existing group of businesses must tail off over the next few years – albeit from a high level. Margins should improve next year, but Rentokil will then have to invest in increasing revenues, which takes longer. The management's response is "trust me". And as any conglomerate knows, there is always the deal. Rentokil will generate £200m of free cashflow this year, so it could fund another big acquisition soon enough. But the bigger the conglomerate, the bigger the deal required to make an impact. And while Rentokil has the advantage of operating in faster growing markets than, say, Hanson or BTR, it is still hard to find deals which drive growth without reducing the quality or short-term quantity of earnings. It could always buy back lots of shares – an admirable option if the management cannot find the returns elsewhere. But if it cannot find those returns, investors might begin to question Rentokil's premium rating.

UK power

The latest offering from Britain's power regulator is a real dog's breakfast. Professor Stephen Littlechild is persisting with last month's ill-advised plan to force regional electricity companies (recs) to bear risks on generating costs – 60 per cent of their cost base – over which they have little if any control. But to persuade the recs to accept this not-very-sensible wheeze, he has had in effect to bribe them with more lenient price caps. To see why this makes no sense, assume the regulator meant what he said last month when he predicted sharp falls in wholesale power prices. If his forecasts then were right, yesterday's more lenient proposals mean recs are now in line for a lavish windfall gain. Or perhaps not: more likely, the hoped-for price falls will not now happen; in effect, the benefit of the regulator's generosity (at customers' expense) will just be snaffled by the generators.

But this is not the only explanation for yesterday's sharp rises in the generators' share prices. Just as important was the astonishing change in the regulator's tone – where last month he was issuing blood-curdling warnings about the shortage of competition in generation, now it is back to the usual disengaged hand-wringing. Understandably, the generators' shareholders are jubilant. But they should not kid themselves. The fact that the regulator can so quickly execute such an unexplained somersault is not terribly reassuring; who knows what he will be saying next month, let alone next year?

Nato seizes arms caches at Bosnian police stations

By Guy Dinmore in Banja Luka, Bosnia

Nato-led peacekeeping forces yesterday swooped on all police buildings in the north-west Bosnian town of Banja Luka where they discovered large quantities of illegal weapons stored for a possible coup against Biljana Plavsic, Bosnian Serb president.

Over 300 British and Czech troops, using armoured personnel carriers under air cover from US Apache helicopters, launched the operation at dawn against five police compounds. They met no resistance from the police forces, which remain loyal to Radovan Karadzic, former president, who has been indicted for war crimes by the United Nations tribunal in the Hague.

Mr Karadzic's supporters had refused to hand over control of the Banja Luka security apparatus, provoking fears of a coup attempt against Mrs Plavsic, who has won strong international backing in her power struggle with hardline Serb nationalists.

UN civilian police protected by the Nato-led Stabilisation Force (SFOR) said they had discovered large caches of weapons at the main public security centre, and at a police station used by traffic police just several hundred metres from the presidential offices. Their haul filled several trucks and included rifles, machine guns, rocket launchers, mines and plastic explosives.

The operation was authorised by Robert Gelbard, US special envoy to Bosnia, after talks late on Tuesday with Mrs Plavsic and the SFOR commander, US General Eric Shinseki.

A senior official, who asked not to be named, said its purpose was to remove police still taking orders from Dragan Kijac, who was dismissed by Mrs Plavsic as interior minister in June, and to allow the president to install her own police chiefs.

"If we have blocked a possible coup, then so much the better," the official said.

Another senior official said Mr Kijac in June had ordered that Mrs Plavsic be detained on her way back to Bosnia from Belgrade and taken for "psychiatric treatment", but his police missed her.

British forces said they found eavesdropping equipment and more than 200 tapes in the security centre, which had been used to tap telephone lines in Banja Luka – including the president's.

The power struggle between Mrs Plavsic and Mr Karadzic risks tearing apart the Serb-controlled half of Bosnia and could lead to parallel governments unless the international community can push through early parliamentary elections which the president has called for October.

Chirac warning

Continued from Page 1

the measures would eventually reach a peak of FFr35bn (\$5.65bn). The government is aiming to create between 30,000 and 50,000 jobs at a cost of FFr2bn in the remainder of this year. This is set to rise to 100,000 jobs at a cost of FFr10bn in 1998.

The government emphasised that this will be done without increasing overall public spending or jeopardising France's qualification for European monetary union.

US trade deficit narrows

Continued from Page 1

appears to reflect, at least in part, changes in the prices of internationally traded commodities such as crude oil and agricultural products."

The improved trade picture in June was tempered by widening trade deficits with China and Japan, and slow growth in western Europe, which has led to a drop in US exports to the region.

The trade deficit with China rose to \$42bn in the first six months of 1997, compared with \$31.4bn a year ago. US exports to China grew by only 3 per cent in the first half of 1997, but imports were 26 per cent higher.

Increased sales of precious metals, vehicles and car parts lifted exports to \$57.5bn in June from \$56.9bn in May.

US imports of capital goods continued to rise in June, but imports of crude oil and consumer goods fell. Imports of goods totalled \$72.5bn in June, compared with \$73.2bn in May. The surplus in services was unchanged at \$6.9bn.

FT WEATHER GUIDE

Europe today

Most of the Mediterranean will have another fine day with blue skies and strong sunshine. But Italy will be unsettled with scattered thundery downpours.

The mountains of northern Spain may have occasional thunder storms.

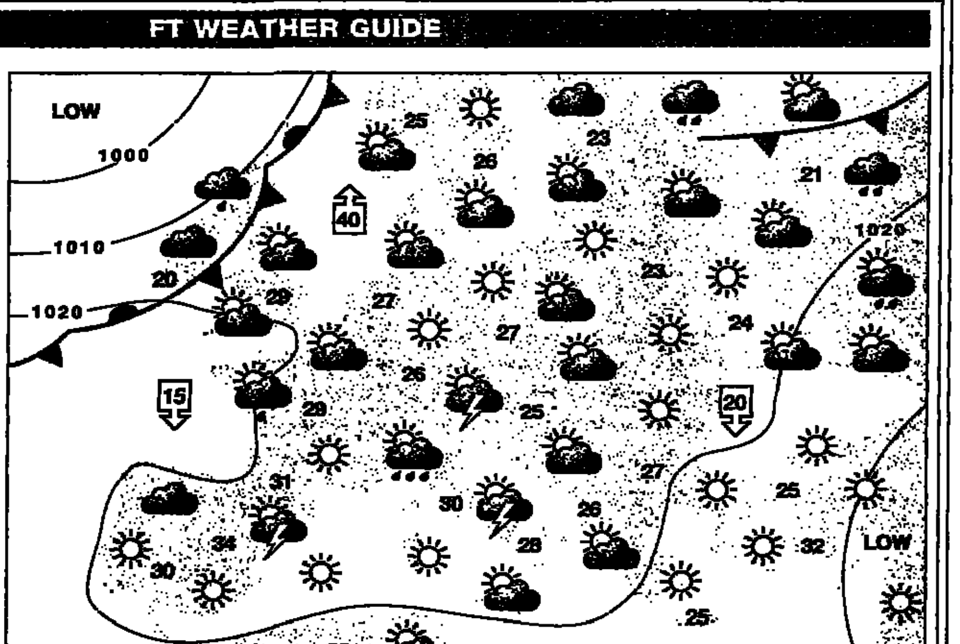
A large area of high pressure, centred near Poland, will affect the rest of Europe's weather. Most places will be fine and very warm with sunny spells, but the high temperatures will set off some showers and thunderstorms over the Alps and Balkans.

Northern Scandinavia will have rain.

Five-day forecast

Southern Italy, the Balkans and the mountains of northern Greece will have thundery showers, but the rest of the Mediterranean will stay hot and sunny.

Central and northern Europe will be mainly fine and settled, but north-west Europe and Scandinavia will turn showery by the end of the weekend.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

Maximum Celsius

Abu Dhabi	Sun 40	Beijing	Fair 32	Caracas	Fair 31	Faro	Sun 28	Madrid	Sun 34	Rangoon	Shower 30
Accra	Fair 26	Belfast	Shower 22	Cardiff	Cloudy 22	Frankfurt	Fair 27	Majorca	Sun 31	Reykjavik	Cloudy 15
Algiers	Fair 30	Belgrade	Cloudy 22	Casablanca	Fair 26	Geneva	Fair 27	Malta	Fair 29	Rio	Sun 29
Amsterdam	Sun 27	Berlin	Fair 27	Chicago	Sun 23	Gibraltar	Fair 27	Manchester	Fair 23	Rome	Fair 30
Athens	Fair 29	Bermuda	Cloudy 30	Cologne	Fair 27	Glasgow	Rain 20	Manila	Rain 28	S. Frsco	Fair 23
Atlanta	Fair 31	Bogota	Fair 18	Dakar	Fair 30	Hamburg	Fair 27	Melbourne	Fair 15	Seoul	Fair 26
B. Aires	Fair 12	Bombay	Shower 31	Dallas	Sun 38	Helsinki	Fair 24	Mexico City	Shower 26	Singapore	Fair 32
B.Ham	Cloudy 25	Brussels	Sun 28	Delhi	Fair 34	Hong Kong	Shower 32	Miami	Fair 33	Stockholm	Fair 26
Bangkok	Cloudy 35	Budapest	Fair 25	Dubai	Sun 41	Honolulu	Sun 32	Milan	Cloudy 25	Strasbourg	Fair 28
Barcelona	Fair 28	C.Hagen	Sun 23	Dublin	Cloudy 22	Istanbul	Fair 24	Montreal	Rain 17	Sydney	Shower 17
		Cairo	Sun 32	Dubrovnik	Cloudy 25	Jakarta	Fair 32	Moscow	Cloudy 22	Tangier	Fair 30
		Cape Town	Fair 17	Edinburgh	Cloudy 21	Jersey	Fair 23	Munich	Thunder 26	Tel Aviv	Fair 31
						Karachi	Fair 33	Nairobi	Fair 26	Tokyo	Fair 31
						Kuwait	Sun 43	Naples	Thunder 29	Toronto	Shower 20
						L. Angeles	Fair 27	Nassau	Fair 33	Vancouver	Fair 22
						Las Palmas	Fair 27	New York	Shower 23	Venice	Fair 25
						Lima	Cloudy 24	Nice	Thunder 29	Vienna	Cloudy 25
						Lisbon	Sun 30	Nicosia	Sun 32	Warsaw	Fair 24
						London	Fair 28	Oslo	Fair 25	Washington	Fair 28
						Lux.Bourg	Fair 27	Paris	Fair 29	Wellington	Cloudy 9
						Lyon	Fair 31	Perth	Sun 19	Winnipeg	Fair 23
						Madeira	Cloudy 25	Prague	Fair 25	Zurich	Fair 24

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FINANCIAL TIMES
COMPANIES & MARKETS
Thursday August 21 1997
Week 34

IN BRIEF

Telecoms push Mannesmann rise

Stock in Mannesmann, the German industrial conglomerate, rose sharply after it posted a 54 per cent interim profits rise, helped by a strong performance in its telecommunications activities. The shares closed up DM42 or over 5 per cent at DM859.5. Page 12

Case against TI given all-clear
A case claiming that TI, the UK engineering group, had defrauded the US Air Force by overcharging for aircraft components, is expected to be heard in New York next year.
Page 15

News Corp shares slip as profits fall
Shares in News Corporation, Rupert Murdoch's global media group, slipped 10 cents to A$5.85 after poor film and TV performance and heavy restructuring costs caused a near 30 per cent fall in annual net profits. Page 13

Aker in Finnish shipbuilding takeover
The takeover of the Finnish shipbuilding industry by Norway was completed by Aker Maritime, the offshore engineering company, when it acquired a controlling stake in Finnyards, the partly state-owned shipbuilder.
Page 12

Rentokil grows by 20% again
Rentokil Initial, the UK business services group that tripled in size last year after acquiring BET, said the deal was vindicated by yet another 20 per cent increase in interim earnings. Interim profits rose 44.2 per cent to £193.9m ($311.4m). Page 15; Lex, Page 10

Water scooter losses hit Bombardier
Bombardier, the Canadian transportation and manufacturing concern, reported a second-quarter profit of C$87.8m (US$63m), less than analysts' expectations. It blamed its personal watercraft division, which manufactures the Sea-Doo scooter.
Page 18

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Commerzbank	72.4	+	4.5
SEA Pf	653.0	+	25.7
Herlitz	161.0	+	8.2
Mannesmann	859.5	+	42.0
Porsche	2600	+	150
Schwalbach Lub	386.0	+	13.7
NEW YORK ($)			
Rises			
Beijing Yanhua	20¼	+	3¼
Boston Tech	31⅛	+	3⅛
Jilin Chem	34⅛	+	7⅛
Shanghai Petro	38⅛	+	4⅛
Unifirde Corp	77½	+	5¼
Falls			
Sherwood	15¼	−	1
LONDON (Pence)			
Rises			
Alliance Res	35½	+	5½
Boosey & Hawkes	1062½	+	165
Eurotelecom	254	+	28
Kuala Kepong	115	+	20½
Sherwood Group	29½	+	7
Falls			
Yeoman	101½	−	10
TORONTO (C$)			
Rises			
Becker Milk B	22.25	+	1.75
CGI A	30	+	3
Dalsmbrer	11.75	+	1.00
Newbridge Ntwk	65.2	+	3.1
Teklogix Intl	7.50	+	0.75
Falls			
Bombardier A	27.4	−	2.1

PARIS (FFr)			
Rises			
Chargeurs	380	+	23
CCF	334.6	+	18.9
Elf Aquitaine	721	+	36
Geophysique	700	+	43
Rhone Pluc A	254.7	+	13.3
Technip	760	+	41
TOKYO (Yen)			
Rises			
Calpis Food	679	+	39
Chichibu Food	366	+	21
Daiwa Bank	685	+	54
Tonen Corp	1200	+	80
Falls			
Aoyama Trading	3930	−	320
Gakken	540	−	70
HONG KONG (HK$)			
Rises			
Bank East Asia	31.5	+	1.1
Beijing Ents	55.25	+	4.00
Cosco Pacific	18.45	+	1.00
Henderson Land	70.25	+	3.50
Hopewell Hldgs	4.87	+	0.22
New World Dev	54.25	+	3.75
BANGKOK (Baht)			
Rises			
Mandarin Hotel	14.25	+	1.25
Navakij Ins	27.75	+	2.50
Shangri-La	17.25	+	1.50
Falls			
Carpets Int	26.25	−	2.75
Charoen	32.5	−	3.5
Thai Toray Tex	25.25	−	2.75

New York and Toronto prices at 12:30.

Rhône-Poulenc to pay $323m extra for remaining 31.9% stake

Offer price for RPR lifted

By Samer Iskandar in Paris and Danny Green in London

Rhône-Poulenc, the French chemicals group, has been forced to raise by about FFr2bn ($323m) the price it is paying for the minority of US drugs company Rhône-Poulenc Rorer it does not own.

The company said it would offer $97 a share for 31.9 per cent of RPR compared with an original figure of around $92.

The new price was not as high as many investors in Rhône-Poulenc had feared and the company's shares gained FFr13.30 to FFr254.70.

By lunchtime in New York, RPR's shares had risen $1 to $96.125.

The increased offer was the result of an independent "fairness opinion" sought from bankers Goldman Sachs and a recommendation by a special committee of members of RPR's board. It has been recommended by RPR's board.

The deal is part of a plan to turn Rhône-Poulenc from a chemicals company into a life-sciences business where profit margins and growth rates are both higher and more reliable.

It intends to combine RPR with its French-based vaccines and animal and plant health products, while spinning off its chemicals and fibres activities.

The re-organisation follows similar steps by competitors. In the past five years ICI of the UK has spun off Zeneca, its drugs arm; Sandoz of Switzerland divested its chemicals division as Clariant; and Dow Chemical of the US sold Marion Merrell Dow, its drugs division, to Hoechst of Germany.

The offer will open within the next five business days, and is conditional on Rhone-Poulenc owning at least 90 per cent of Rhône-Poulenc Rorer shares at the end of the operation, compared with 68.1 per cent now. Any shares not acquired in the offer will be acquired in a second-step merger at the same price.

"This is excellent news for Rhône-Poulenc," said Philippe Cottet, an analyst at Crédit Lyonnais Securities in Paris. "It was a necessary step in the company's strategy." Mr Cottet said it remained at the bottom end of analysts' valuations, which vary between $95 and $110.

"Rhône-Poulenc will be paying 20 times prospective earnings [of RPR in 1998], against a US average of 23 or 24 for the sector," he said.

RPR shares have suffered in recent months from quality problems which led to some costly product recalls. However, Mr Cottet said the financial effects of the recalls would be over by the end of the year.

Mr Jean-René Fourtou, Rhône-Poulenc chairman, said: "This is an important step in our plan to reinforce our position in life sciences."

Rhône-Poulenc said it was still studying the possibility of combining its chemicals and fibres businesses, which could then be floated as a separate company in 1998.

Rhône-Poulenc will also be acquiring a network of biotechnology company alliances that RPR began establishing in 1994.

These include RPR Gencell – which works in the controversial area of gene therapy – and has 19 partners among independent biotechnology companies and employs 380 people.

Rhone-Poulenc's pharmaceuticals division was merged with US drugs company Rorer in July 1990 to form RPR, a New York Stock Exchange-listed company. Rhone-Poulenc was privatised in November 1993.

SSGA has new chief investment officer

By Jane Martinson, Investment Correspondent

State Street Global Advisers, the third-largest US asset manager, has appointed a London-based Englishman as chief investment officer, in a move which emphasises its global expansion plans.

Timothy Harbert, president of SSGA, said the appointment of Alan Brown was part of the group's "commitment to opportunities outside the US market".

State Street, which dropped Boston from its name earlier this year, aims to increase its asset management of non-US investors from 20 per cent to 50 per cent over the next four years. It manages $358bn globally.

Its ambition outside the US is part of an industry trend towards globalisation.

Mr Brown, 44, has been credited with the increase in SSGA's London-based assets from $3bn to $11bn since joining as regional head three years ago.

Mr Brown replaces Peter Stonberg, who will run the group's Active funds of some $10bn in assets.

Mr Harbert denied that this move was a demotion although Mr Stonberg will now report to Mr Brown.

"It is unfortunate that this might be the outside perception," he said. "It is quite the opposite."

Mr Stonberg, who is 53, will continue as vice chairman of the group's investment committee.

Mr Harbert said that Mr Brown's experience in the computer-driven quantitative method which forms the backbone of SSGA's investment products was particularly valuable.

All of SSGA's business was derived from the US until seven years ago when it opened its first international office in London. Since then it has opened another five non-US investment centres.

It announced initiatives in eastern Europe and China this year.

The group, which is dominated by institutional funds, is keen to increase its business from individual investors. This will probably come through partnerships with local providers such as the group's collaboration in China with Mansion House, a brokerage and money management firm.

First Union acquires Virginia brokerage for $471m

By John Authers in New York

First Union, the acquisitive US commercial bank, yesterday joined the trend for retail banks to buy brokerages with a $471m acquisition of Wheat First Butcher Singer of Richmond, Virginia.

The deal is intended to give First Union the power to offer initial public offerings to its corporate clients. It follows several similar acquisitions since the Federal Reserve this year lifted the proportion of earnings commercial banks could make from securities business.

It continues a period of intense activity for the bank, the sixth largest in the US with total assets of $143bn, which last month bought Signet Banking, also of Virginia, in a stock swap valued at $3.25bn.

It also creates the eighth largest retail brokerage chain in the US and adds further bulk to First Union's fund management business.

Wheat First is employee-owned, and operates 126 offices in 19 states, mostly in the south-east. It earned $32m in the 12 months to March this year, on total revenues of $494m, and expects to raise profits to about $42m in the current year. This would value the company on a multiple of about 11 times earnings.

As is becoming typical with such deals, First Union has also set up a fund of restricted stock, worth $75m, which will be used to retain Wheat First employees over the next three years.

First Union said the deal would immediately enhance earnings, and it expected to generate extra revenue for both its equity and debt products from cross-selling to the two companies' existing clients. Wall Street's reaction was favourable, with First Union's shares gaining $⅝ to $47½ in early trading.

Edward Crutchfield, First Union's chief executive, said: "With the rapid consolidation of the financial services industry, offering equity underwriting to our clients now enables us to gain a critical competitive edge in this dynamic marketplace."

Wheat First said it could have survived as an independent operator but "wanted to do more than survive".

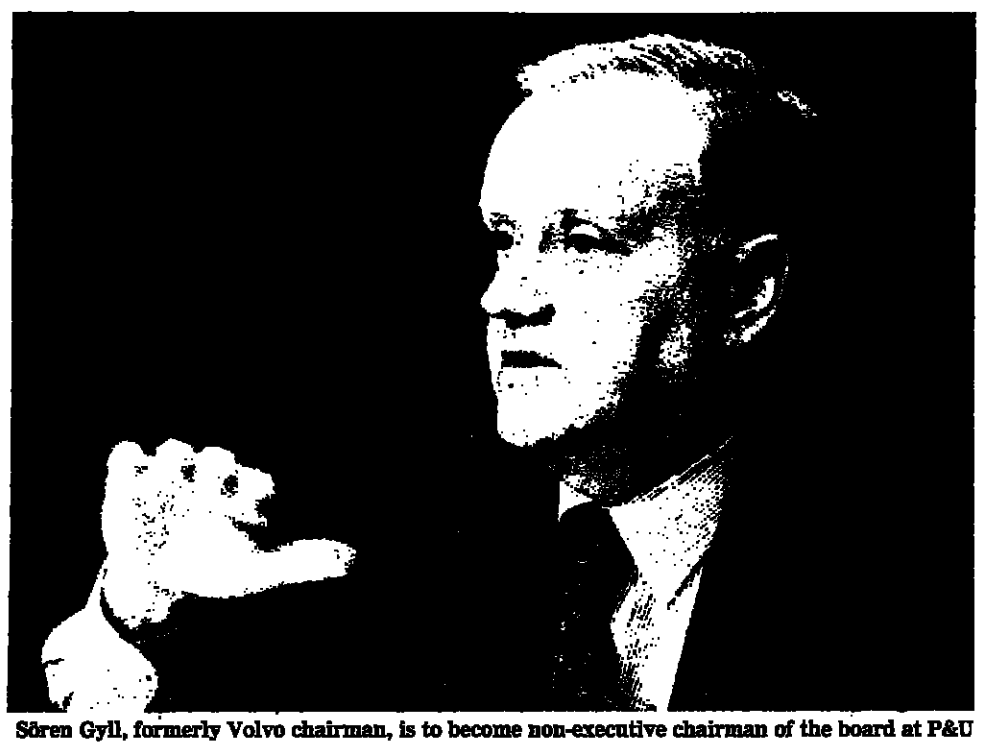
First Union had initially attempted to grow its capital markets operation organically by recruiting individuals. But Ken Thompson, head of capital markets, said: "In the past few months the landscape surrounding us has changed dramatically. Since April five institutions have accelerated the development of their equity capabilities by acquisitions. This includes three of the domestic banks with approved equity powers."

Mr Thompson added: "At the same time, our client base has been telling us they expect to have those equity capabilities sooner rather than later. The bottom line was that if we could not offer them the full range of capital market options today, we would be forced to lose some of our clients."

Analysts expect several other large commercial banks to buy regional brokerages.

Ekberg is replaced at P&U

By Daniel Green in London and Greg McIvor in Stockholm



Sören Gyll, formerly Volvo chairman, is to become non-executive chairman of the board at P&U

Troubled Swedish-US drugs company Pharmacia & Upjohn has changed its chairman in the latest of a series of board level and company-wide changes.

Jan Ekberg, non-executive chairman of the board has been replaced by Sören Gyll, former president and chief executive of Volvo, the Swedish automotive company.

The move follows the appointment in May of Fred Hassan as new chief executive.

William LaMothe, chairman of the company's nominating and corporate governance committee, said Mr Ekberg had "advised the board at the time of Mr Hassan's appointment that he intended to step down from the chairmanship once the new CEO's restructuring plan was introduced".

Mr Ekberg, 61, had been chairman of the merged drugs group since its formation in 1995, having been chief executive of Sweden's Pharmacia previously.

He had signalled his intention to step back from day to day control by making his base in Stockholm while other executives moved to the company's new headquarters in Windsor, west of London.

The company's troubles have continued since January, following the departure of chief executive John Zabriskie after a series of profits warnings. It reported a 34 per cent fall in net profits to $178m for the second quarter of 1997. Mr Ekberg resumed the role of non-executive chairman following Mr Hassan's appointment. Mr Hassan has since reorganised the structure of the company, centralising power at the Windsor office.

The appointment of Mr Gyll, 56, to succeed Mr Ekberg is not the first time the two men's careers have crossed.

Mr Ekberg was Mr Gyll's deputy between 1987 and 1990 when the latter headed Procordia, the since-disbanded pharmaceutical and food group then controlled by the Swedish government and Volvo.

Mr Ekberg took over as chief executive of Pharmacia in 1990, and succeeded Mr Gyll at Procordia in 1992.

Mr Gyll had expected to take charge of Volvo's non-automotive businesses after the planned merger with Renault of France.

Mr Ekberg was left to run a slimmed down pharmaceuticals business after Volvo inherited Procordia's food operations as part of the state's privatisation of its stake in Procordia. When the merger broke down, Mr Gyll opted to dispose all non-automotive holdings, including Volvo's stake in Pharmacia.

Volvo sold two-thirds of its holding in P&U last year, but kept a 4 per cent stake. Mr Gyll has represented the company on P&U's board since he left in April.

Separately, P&U declared a third-quarter dividend of $0.27 a share.

Bezeq set to cut 1,800 jobs under restructure plan

Israel's telecom network warns $399m revamp will put it in red

By Judy Dempsey in Jerusalem

Bezeq, Israel's state-controlled telecommunications network, yesterday announced a radical restructuring involving 1,800 job cuts – 20 per cent of the workforce – and a shake-out of management.

Bezeq warned that the costs of the restructuring, about Shk1.4bn ($399m), would push the company into the red this year. The shares dropped 3.75 per cent on the Tel Aviv stock market, from Shk10.30 to Shk9.91.

"It is difficult to say how large the net loss will be," said Yuval Raviv, analyst at Société Générale Equities International. "But it is inevitable as much of the structuring in the long term is very worthwhile."

The plan, which has to be approved by the finance ministry, will be phased in between now and mid-1998, giving Bezeq time to complete the revamp before the domestic telecoms market opens to competition in 1999.

Bezeq reported net profits of Shk658m last year on revenues of Shk8.28bn. However, it has come under increasing pressure after the introduction of competition in international telephone services, with the cost of calls falling more than 70 per cent. Ami Erel, chief executive officer, said Bezeq had to "adjust to the conditions of a competitive, aggressive and changing market".

"There's still a lot of fat in the company. This is a step in the right direction as the company prepares for domestic competition," Mr Raviv said.

Bezeq will finance the restructuring in two ways. About 80 per cent of proceeds from the planned stock market sale of 12.5 per cent of the company this year will be allocated to Bezeq. At current market prices, this could amount to Shk850m. In addition, Bezeq will issue domestic bonds worth Shk250m.

The government's planned secondary offering will reduce its stake from about 67 per cent to 54-55 per cent. Last month, it sold a 12.5 per cent holding to Merrill Lynch, the US investment bank, for $250m in a deal which provoked industrial action.

Unions said that in spite of promises by the previous government, none of the proceeds from the placement were returned to the company or allocated to the pension or employee share schemes. Cable and Wireless, the UK telecoms group, holds about 10 per cent of Bezeq.

Merrill Lynch bought the shares for Shk9.79 and has the option of selling 10 per cent of the company back to the government if it cannot find buyers by the end of next February. Merrill Lynch, which would not comment on Bezeq's restructuring plans, has already placed 2 per cent of the shares with institutional investors.

Telecoms leads surge at Mannesmann

By Andrew Fisher in Frankfurt

Shares in Mannesmann, the German industrial conglomerate, rose sharply yesterday after it announced a 54 per cent rise in first-half profits, helped by a strong performance in its telecommunications activities.

The company said pre-tax operating profits jumped 93 per cent to DM653m ($356m), with turnover 14 per cent higher at DM17.74bn. Net income rose 54 per cent to DM278m.

Analysts said the figures, also helped by a turnround in its steel tubes and trading division, were better than expected.

The shares closed DM42 higher at DM859.5, up more than 5 per cent.

Mannesmann said the improved results confirmed its earlier forecast of higher profits for the full year. It still expected a substantial earnings improvement on the engineering side and further profits growth in automotive products.

New orders across the group rose 12 per cent to DM20.65bn.

The company said it was more optimistic on telecommunications as a result of higher earnings at Mannesmann D2, Germany's largest mobile telephone network. Tubes and associated trading activities, which returned to profit, should also do better than expected, it added.

Telecommunications was by far the biggest contributor to operating profits, climbing 51 per cent to DM513m. At the end of June, the D2 network had 2.8m customers, having grown by an average of 80,000 net new customers a month.

Mannesmann Arcor, the fixed-network business half-owned by a consortium led by Mannesman and half-owned by Deutsche Bahn, the German rail operator, won a big order from the Karstadt department store group in May to set up a nationwide communications network.

The group said 82 per cent of an investment volume of DM3.8bn – a big increase on the DM1.07bn invested in the first half of 1996 – was related to telecommunications.

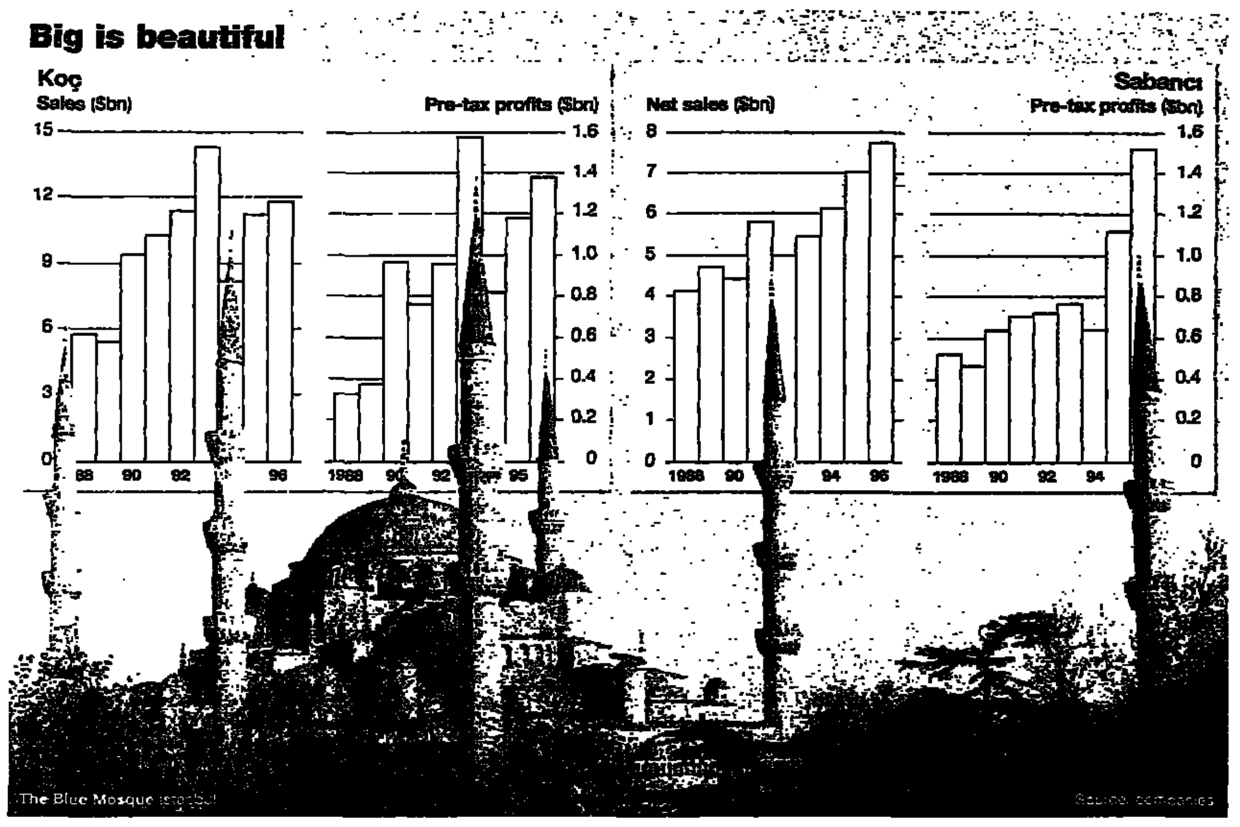
The first-time consolidation of Mannesmann Arcor accounted for DM1.8bn in assets, including goodwill, with the purchase of a 15 per cent stake in the French Cegetel telecoms operation costing more than DM700m. Capital spending on the automotive side also rose sharply.

The group said tubes and trading went from a DM49m loss to a DM51m profit as a result of better market conditions and reduced losses in Brazil.

Engineering turned in a DM4m profit against a DM67m loss, while the automotive arm made a DM153m profit compared with DM125m a year ago.

Conglomerates rule the roost in Turkey

The large holding companies such as Sabancı and Koç show few signs of losing their dominance



Sabancı Holding controls so many subsidiaries and has so many core industries that the five brothers who run Turkey's second-biggest conglomerate sometimes lose count of their businesses.

The era of the diversified conglomerate may be ending in the mature markets of the west, but not in Turkey. Last month, Sabancı Holding successfully completed an initial public offering in Turkey and overseas that raised $207m by selling 11.5 per cent of its equity.

Erol Sabancı, who runs Akbank, the family-owned institution that is also Turkey's biggest private sector bank, says that far from retrenching, the group, with its seven core industries and 49 operating companies, will continue spreading.

Beaming with pride, he says: "We are expanding our tyre company and we had the ground-breaking ceremony in June for our joint venture with Hoechst [the German chemicals group]. We have signed a joint venture with [foods group] Danone of France."

Size is clearly more important than focus. It provides clout in the marketplace, influence in the corridors of power and economies of scale that churn out bigger and bigger profits. Titanic holding companies straddle almost every market.

Koç Holding, the biggest of them all with its 108 companies operating in 10 core sectors, produces one-third of Turkey's cars, makes most of its fridges and televisions and owns the biggest supermarket chain. Its 1996 sales of $11.77bn were equivalent to 6.5 per cent of Turkey's gross domestic product.

Nevertheless, holding companies have their critics. Politicians accuse them – particularly the aloof Koç group, headquartered in an Ottoman palace overlooking the Bosphorus – of pursuing their own political agenda. Economists say they distort competition. Some stock market investors say holding companies do not benefit the operating companies.

Although most groups have devolved decision making to professional managers, family members are still in control. Managers and investors often complain about meddling. Tangled cross-shareholdings confuse accountability and management control, particularly since groups often list their operating companies on the Istanbul stock exchange, selling small stakes to the public.

Analysts worry about the relationship between companies, suspecting owners of moving profits out of listed companies to private ones. Banks are particularly vulnerable, they argue. At the heart of most conglomerates lies a powerful bank, but it could be at risk should loans or investments made on easy terms to sister companies go bad.

Some believe that companies which grew strong behind trade barriers will be fatally weakened now that Turkey has opened up to international competition. Turkey and the European Union abolished tariffs on industrial products under their 1996 customs union.

Koç's car company Tofaş, part-owned by Fiat, is suffering from weak management and heavy import competition. Yet Arçelik, its widely praised white goods subsidiary, has increased market share since 1996. It controls nearly two-thirds of the consumer durables market and Salomon Brothers, the US investment bank, expects earnings growth of 9 per cent next year.

Instead of hurting, the customs union has actually helped, by lowering the cost of imported components.

Sabancı, in particular, relies heavily on joint ventures with foreign multinationals. The result is a bewildering range of alliances with the likes of Toyota, Philip Morris and Danone.

A stranglehold over distribution channels, the remarkable brand loyalty of Turkish consumers and an understanding of a volatile economy – inflation is more than 80 per cent – are critical advantages in protecting these giants from serious outside competition.

The public sector's collapse makes privatisation, resisted for decades by politicians, inevitable. The holding companies, with Koç and Sabancı at the forefront, are preparing to expand into public services. Koç Holding, which listed in Istanbul in 1986, is considering a large secondary offering next year to replenish its coffers in anticipation.

Some conglomerates are watching their weight. Çukurova, Turkey's third biggest group, has sold unsuccessful businesses to concentrate on finance, which already provides more than two-thirds of revenues through the group's control of Yapi Kredi Bankası, the country's premier retail bank.

Mehmet Gür, general co-ordinator, says the company – wholly owned by the Karamehmet family – will only enter markets where there is at least a glimmer of synergy. Yet Çukurova is not taking specialisation too far. In a country as unpredictable as Turkey, it makes sense to maintain some diversification – Çukurova is in commercial vehicles, paper and mobile telephones as well as finance.

Although these big companies grab most of the attention, there are dozens of smaller groups. Ihlas Holding, owned by a devout Moslem, controls 33 companies involved in car production, healthcare, finance, home appliances, and soft drinks.

The day will come when Turkey's economy settles down, its capital markets become more efficient at allocating capital than the bosses of conglomerates and competition has broken down cartels and monopolies. But few captains of industry think that time is yet at hand. The holding company's days are far from numbered.

John Barham

Aker unit in Finnish shipbuilding takeover

By Greg McIvor in Stockholm

Aker Maritime, the offshore engineering company, yesterday completed a Norwegian takeover of Finland's shipbuilding industry by acquiring a controlling stake in Finnyards, the partly state-owned shipbuilder.

Finnyards, the last of Finland's big domestically owned shipbuilders following the purchase by Norway's Kvaerner of Masa-Yards in 1990, has been loss-making for several years.

The company, with annual sales of FM1.3bn ($237m), incurred accumulated losses of about FM600m between 1994 and 1996.

Aker Maritime did not disclose the value of the transaction, saying only that it would not acquire any financial exposure to existing Finnyards contracts.

The move into shipbuilding marks a new strategy for Aker Maritime, which is three-quarters owned by Aker RGI, the Norwegian investment group headed by Kjell Inge Rökke, the entrepreneur

It said shipbuilding for the offshore industry was expanding globally. This reflected a surge in oil and gas exploration in new, deep-water locations.

Finnyards is owned by UPM-Kymmene, the Finnish forestry group, Optiomi, an investment company, and the Finnish government. They have stakes, respectively, of 48 per cent, 39 per cent and 13 per cent.

These will retain a combined 40 per cent stake in a new company in which Aker will assume a 60 per cent interest and an obligation to take full control within three years.

The deal covers all of Finnyards' 1,100 employees but only one of its two production sites, at Rauma in south-west Finland. The other yard will be leased by Aker from the three current owners.

Aker Maritime said it was keen to exploit Finnyards' facilities for producing drill ships and production vessel hulls for the offshore industry. Finnyards is chiefly known as a supplier of traditional commercial-use ships.

Aker Maritime said the acquisition would enable it to have "better control of the value chain" in its production of floating platforms.

It said its North Sea activities had at times been hit by delays and quality problems with offshore vessels supplied by shipyards in east Asia.

The group indicated it would be pumping in capital to upgrade Finnyards' Rauma plant, although it was not clear how much. It also said a reduction in the Finnyards workforce might be necessary.

Aker Maritime said synergy benefits could be achieved between Finnyards and Aker Maritime's three Finnish engineering and construction subsidiaries.

Finance chief for Swiss life group

By William Hall in Zurich

Dominique Morax, a senior executive with the Zurich Insurance group, is joining Rentenanstalt/Swiss Life, Switzerland's biggest life insurer, as head of finance.

He will take over at the end of 1997 from Andreas Donatsch, who is retiring for health reasons.

Rentenanstalt, which is being demutualised, is Switzerland's third-biggest insurance company with a stock market capitalisation of more than SFr10bn ($6.6bn).

Mr Morax, who worked for J. P. Morgan for a decade, joined Zurich in 1998 on the investment side and for the last few months has been chief executive and chief investment officer of Zurich's European asset management business.

One of his first tasks will be to introduce the company to international investors.

Last December, Zurich hired Markus Rohrbasser, a former chief executive of UBS's North American operations, to be its new chief financial officer.

Mr Morax's departure means that Dennis Ferro, an American who had been responsible for Zurich's European equity business, will take over as chief executive of Zurich Investment Management in Europe.

In a separate move, Zurich has hired Dirk Lohmann, a member of the executive board of management of Hannover Re, to be the new chief executive of Zurich Re and Agrippina, two of the group's reinsurance businesses in Europe. It is a new position and Mr Lohmann will report to Stephen Gluckstern, the overall head of reinsurance.

Mr Donatsch will continue to carry out various mandates for the company after his retirement.

Wella recovery gains momentum

By Graham Bowley in Frankfurt

The recovery at Wella, the German hair care group, gained momentum, bolstered by the new focus on its core hair-care and perfume business.

Wella suffered a big drop in profits in 1995 after its international expansion ran into difficulties, prompting restructuring under new management led by Jörg von Craushaar, chairman.

But yesterday it revealed a 23.3 per cent rise in pre-tax profits to DM75m ($42m) in the first half of this year. Sales increased 11.2 per cent to DM202bn.

Wella raised its forecast for sales growth in 1997 to more than 7 per cent. It said pre-tax earnings would increase by 25 per cent.

However, analysts warned against over-optimism about the pace of recovery at Wella.

The company has made a renewed push into hair-care products and perfumes, focusing on just a few international markets such as the US and Japan after difficulties in markets such as Russia. At the same time, it has jettisoned parts of its cosmetics business.

"This is a positive development but the company is still far below where it was in 1994," said Ingbert Faust, analyst at UBS in Frankfurt.

Mr Faust said Wella was competing in a market against strong rivals and against a background of declining demand.

Wella said earnings were depressed by the heavy investment in a new sales structure for the US and marketing costs in the UK, which would not recur in the second half of this year.

Sales of the professional hair care division, Wella's biggest business segment, increased 12.4 per cent. Retail hair-care sales rose 13.3 per cent. Sales of scents and cosmetics rose 10.5 per cent, it said.

P&O Nedlloyd returns to profit

By Gordon Cramb in Amsterdam

P&O Nedlloyd, the container shipping line formed at the end of last year, returned a profit in the second quarter, and its UK and Dutch parents said yesterday that integration of the operations was "continuing ahead of schedule".

Operating profits of $36m were offset by $25m charged to merger costs and a $10m interest bill. In the first three months of its existence the unit lost $31m before deductions of $27m.

The groups said the performance at the operating level was $20m better than they would have achieved in April–June 1996.

Volume growth was strong in Europe-Asia trade, while other main routes showed some improvement. Ships were sailing at about 90 per cent of capacity, with current bookings indicating this would continue in the current quarter.

New tonnage is due to come into use next spring.

Revenues reached $882m in a seasonally busy three months and a decline in rates continued to slow. The first quarter brought in $817m.

Rotterdam-based Nedlloyd, which also has interests in land transport and aviation, gained a Fl 23m ($11.1m) share of profits from the new line to report net earnings from ordinary activities of Fl 14m, down from a restated Fl 21m a year earlier.

Extraordinary gains in the 1996 period were six times larger, leaving attributable outcome down sharply from Fl 291m to Fl 57m.

A Fl 45m credit in the latest quarter largely reflected the placement of its 40 per cent interest in Smit Internationale, a marine services company.

Nedlloyd said its outlook for the full year remained positive.

● Pakhoed, the Dutch international distributor of oil and chemicals, achieved first-half net profits of Fl 108.8m, an increase of 76 per cent, as restructuring paid off.

Sales of Fl 3.11bn were nearly three times the Fl 1.07bn posted a year earlier, reflecting acquisitions such as the $500m takeover of Univar, the market leader in North American chemicals distribution.

● Holland Chemical International, another distributor of chemical products, is to seek an Amsterdam listing by the end of the year, issuing an unspecified mixture of new and existing shares.

NPM, the Dutch venture capital group, owns 14 per cent, with the remainder held by staff. The flotation is being led by ABN Amro Rothschild, while MeesPierson is advising the company.

EUROPEAN NEWS DIGEST

Skandia doubles interim profits

Strong growth in unit-linked and life assurance premiums helped Skandia, Sweden's largest insurer, to double first-half operating profits from SKr2bn to SKr4bn ($496m). The total of premiums written rose from SKr29.1bn to SKr37.3bn ($4.6bn), an improvement due almost entirely to life and unit linked assurance activities.

Non-life insurance and reinsurance premiums edged up from SKr12.6bn to SKr12.8bn, while life insurance and unit-linked (AFS) premiums surged 49 per cent, from SKr16.4bn to SKr24.5bn. Skandia said it had strengthened its position as the fourth-largest global supplier of life and unit-linked insurance. In non-life insurance and reinsurance it had held its market shares.

The company, which has signalled it might partially float the AFS unit in the next two or three years, said the division's growth was strongest in Sweden, with a 92 per cent increase. AFS grew by 35 per cent in the US and by 18 per cent in the UK. Skandia's shares closed up SKr3.50 at SKr336. The stock slumped to SKr184 during Skandia's failed bid last year for Stadshypotek, the Swedish mortgage lender. But this year it has been the bourse's star performer, rising 74 per cent since the start of 1997.

Greg McIvor, Stockholm

■ ALUMINIUM

High volume lifts Gränges

Higher volume, improved margins and a high capacity utilisation at most of its plants helped Gränges, the aluminium products group spun off in March by Electrolux of Sweden, double net income on a pro-forma basis to SKr155.9m ($19.5m), equivalent to SKr4.10 a share compared with SKr2.10.

However, after the allocation of SKr146m to a reserve to cover the costs of a future liquidation of Gränges Metal, the aluminium smelting business, actual net income was reduced to SKr51m or SKr1.40 a share. All the group operations, with the exception of Gränges Metal, reported higher six-month earnings. Group sales rose 19 per cent to SKr4.984bn. Net cash flow was SKr177m and Gränges' gearing fell from 94 to 73 per cent.

Kenneth Gooding, Mining Correspondent

■ PHARMACEUTICALS

Merck sees double-digit growth

Merck, the German pharmaceuticals group, yesterday reported a rise in first-half net profit from DM242m to DM270m ($150m), and said it expected strong earnings in the second half.

"The company expects a double-digit rise in worldwide sales and favourable earnings in the second half of the year in current economic conditions," Merck said.

In the first half, sales rose 13.7 per cent to DM3.91bn. Merck said foreign sales accounted for over 80 per cent of sales. By region, overall sales in Europe climbed 6 per cent, while German sales fell 4 per cent. North American sales jumped 29 per cent; in Asia they were ahead 18 per cent. Sales in Latin America grew by 25 per cent.

AP-DJ, Darmstadt

■ GERMAN BANKING

DG Bank ahead 49% halfway

DG Bank, the umbrella bank for the German co-operative banking network, raised operating profits after risk provisions by 49 per cent to DM397m ($220m) in the first half of this year. The result reflected higher profits on lending and commission business, as well as a sharp drop in loan risk provisions.

Net interest income was 6 per cent higher at DM1.7bn, with net commission income advancing by 28 per cent to DM177m as a result of buoyant capital markets and new issue business. Trading profits rose 15 per cent to DM92m. Costs were 4 per cent higher at DM1.41bn, while risk provisions were reduced by 20.5 per cent to DM149m.

Andrew Fisher, Frankfurt

■ CONSTRUCTION

Holzmann warns of operating loss

Philip Holzmann, the German construction group, warned yesterday it expected an operating loss in 1997, but said it would take measures to ensure it breaks even on an after-tax basis. The group said it was also the case in 1996, when Holzmann sold off real-estate holdings to compensate for an operating loss. The Frankfurt-based company said its first-half construction revenues rose from DM5.9bn to DM6.5bn ($3.5bn), while new orders fell to DM5.6bn from DM7.6bn.

AP-DJ, Darmstadt

■ ISRAEL

Cellcom growth boosts DIC

Discount Investment Corporation, the investment company and subsidiary of IDB Holding, Israel's largest privately-owned holding company, yesterday reported a 25.8 per cent rise in net profits for the first six months of the year following strong growth in Cellcom, the cellular telephone network, and smaller losses in Scitex, its computerised imaging systems division.

Net income rose from Shk110.3m during the first half of 1996 to Shk136.6m ($39m) over the same period this year. Revenues increased Shk35m, from Shk156.4m to Shk191.4m. Strongest growth was in Cellcom in which DIC holds a 12.5 per cent stake.

Cellcom doubled its subscribers over the last year and reported a surge in operating profits, from Shk13m in the first half of 1996 to Shk172m.

Meanwhile Scitex, which manufactures visual information communications products, returned to the black during this year's second quarter as a restructuring programme to cut costs took effect. It made a net profit of $157,000 against a $5m loss over the same period last year.

Judy Dempsey, Jerusalem

News Corp shares slip as profits fall

By Elizabeth Robinson in Sydney

Shares in News Corporation, Rupert Murdoch's global media group, slipped 10 cents yesterday to A$5.85 after poor film and TV performance and heavy restructuring costs caused a near 30 per cent fall in annual net profits.

Profits before abnormal items in the year to June were A$1.29bn (US$953m), just 2.5 per cent higher than last year, as flops by the big-budget films *Speed 2* and *Volcano* helped keep earnings below expectations. Last year Mr Murdoch predicted 20 per cent growth.

The company announced a A$575m abnormal loss, mainly relating to its HarperCollins US book publishing unit. The loss cut group net profits to A$720m.

Earlier this month News Corp announced it would take a US$270m charge after failing to find a partner for the loss-making unit.

The film division reported poor results, with a fourth-quarter loss of A$140m leaving the full-year profits 8 per cent lower at A$133m, worse than the market had expected.

Successful titles such as *Independence Day* and *Romeo and Juliet* were offset principally by the two flops, which were released in the fourth quarter. News Corp said it was "disappointed with the results of a couple of the larger films".

The poor performance of the films increased the pressure for success on the next big-budget release, due to coincide with the US Thanksgiving holiday in late November, of *Titanic*.

The co-production with Paramount – based on the 1912 sinking of the "unsinkable" liner – is believed to be running well over budget with production and marketing costs expected to total well over $200m, the biggest in Hollywood history. The film's release has already been delayed – it was supposed to be launched in the peak July holiday season.

Meanwhile, lower results at Fox Broadcasting left net income from television only 4 per cent ahead at A$572m.

Although the Fox Network is improving its ratings, other cable channels, including news and sports services, are still in the expensive launch stage and News Corp has been paying cable operators substantial inducements to increase the number of subscribers to Fox programming.

News Corp's share of pre-tax profits at BSkyB, the UK satellite venture, rose 22 per cent to £127m (US$203m), after revenues rose 26 per cent.

But UK newspapers generated record results with revenues 5 per cent higher on stronger advertising.

A slow economy in the domestic Australian market however, left newspaper circulations flat and operating income only slightly ahead.

Bombardier hit by drop in water scooter sales

By Scott Morrison in Vancouver

Falling summer-season sales of water scooters hit profits at Bombardier, the Canadian transport and manufacturing company.

It reported second-quarter profits of C$87.8m (US$63m) on sales of C$1.96bn, less than analysts had expected. The company posted earnings of C$90.3m on revenues of C$1.91bn in the same period last year.

Bombardier's B-class subordinate shares fell on the news to C$27.40 in midday trading, down C$2.10 from Tuesday's opening. The shares stood at C$33.40 just over a week ago.

Laurent Beaudoin, chief executive, blamed the disappointing performance on the company's personal watercraft division, which makes the Sea-Doo water scooter.

US sales of the Sea-Doo fell sharply in June and July as a series of serious accidents created the perception that the high-speed craft is unsafe.

The company said it intends to reduce production of the scooter. This would result in a C$70m drop in net earnings for the current year, Mr Beaudoin said.

Rumours that Bombardier was planning to cut production of Sea-Doos hit Bombardier's shares on Monday, when they fell C$2.40 to close at C$29.95 in Montreal.

The decline in Sea-Doo sales adversely affected the company's earnings because the Sea-Doo enjoys larger profit margins than the company's bigger-volume aircraft division.

The company also reported a record order-backlog of C$12.5bn, reflecting a big increase in orders for both aerospace and transport products.

Enersur to invest $500m

By Sally Bowen in Lima

Enersur, the Peruvian affiliate of Tractebel, the Belgian power group, is to invest $500m in Peru over the next six years in constructing three coal-fired thermal plants with combined generating capacity of some 500MW.

Hitachi, of Japan, will be in charge of building the plants, the first of which should be operating by early 2000.

Yves Jourdain, president of the Enersur board, said Tractebel would finance 30 per cent of the total, with the remainder coming from an International Development Bank loan.

The plants are designed to serve the power-hungry southern area of Peru, where several huge mining investments and expansions of existing mines are under way.

Earlier this year, Tractebel took over the energy generation operations of Asarco-owned Southern Peru Copper Corporation (SPCC), producer of two-thirds of all Peru's copper, in a $42m deal.

It involved a commitment by Tractebel to provide the energy SPCC requires for its fast-expanding operations for the next 30 years.

Enersur's first plant will cost $160m and generate 220MW. The coal to fuel it will be 80 per cent imported, probably from Colombia.

The announcement may prove a blow to the Shell-Mobil consortium which is studying full-scale development of Peru's huge Camisea natural gas reserves.

Shell and Mobil recently formed a consortium with Intergen, of the US, to build a gas-fired power plant aimed at the same potential customers.

INTERNATIONAL NEWS DIGEST

Mali gold mine lifts Iamgold

An "excellent performance" at the Sadiola Hill gold mine in Mali, which started commercial production in March, enabled Iamgold, the Toronto listed company that discovered the deposit, to report its first quarterly profit. Net profit was US$2.2m, or 3 cents a share, against a $1m net loss, or 2 cents, in the second quarter. The first half loss was $400,000, or 1 cent, against a loss of $1.7m, or 3 cents.

Iamgold said Sadiola, 50 per cent owned and operated by its partner, Anglo American Corporation of South Africa, was on target to produce 313,000 ounces of gold between March and December this year at a total cash operating cost of only $169 an ounce. In the March-June period, Sadiola produced 115,398 ounces at a total cash cost of $148 an ounce. The average gold price realised in this period was $342 an ounce.

Iamgold ended the quarter with $28.6m cash putting it in a good position to take advantage of exploration opportunities, said Todd Bruce, president. The company has separate joint ventures with Anglo and Ashanti Goldfields of Ghana, and is exploring in five West African countries as well as in South America.

Kenneth Gooding, Mining Correspondent

■ NETWORKING

Newbridge Networks advances

Newbridge Networks, the Canadian networking products and systems manufacturer, has reported net earnings of C$64.4m (US$46.23m) on sales revenues of C$434.7m for the company's first quarter, ending August 3. The results were in line with estimates given by the company last month. Newbridge had earnings of C$60.8m on sales of C$286m during the same quarter last year.

Newbridge had warned that profit growth would be lower than expected due to a difficult transition with UB Networks, which it acquired in December 1997 for about US$100m. The company, however, said it remained confident its acquisition would enable the company to provide stronger end-to-end solutions and service. Total order intake for the quarter was up more than 60 per cent over last year, as Newbridge reported a strong performance from its wide area network packet business. Sales of frame relay capabilities also increased sharply in the quarter.

Scott Morrison, Vancouver

■ FUTURES TRADING

CBOT set for Dow Jones launch

The Chicago Board of Trade, the largest futures exchange, and the Chicago Board Options Exchange yesterday set October 6 as the launch date for products based on the Dow Jones Industrial Average. The CBOT will start trading futures and options-related futures on the index on that date, while the CBBOE will list cash-settled options and other products.

Dow Jones announced two months ago that it would be licensing its indices to the two exchanges for trading for the first time.

Nikki Tait, Chicago

■ ENERGY

Venezuelan gas liberalisation

Venezuela is planning to issue a decree opening the natural gas sector to private investment this year as a transition phase before a new natural gas law is drawn up, Evanan Romero, vice-minister for energy and mines, said yesterday.

The liberalisation would open the door to about $4bn-$5bn in investment in transmission and distribution systems over five years and could add another 4,000km of new natural gas lines to the country's existing 5,000km network, he said in an interview.

"We sense there is a lot of investor interest in the gas sector – transmission and distribution – and we would like to establish the legal and fiscal framework, trying to make some sense out of different pieces of legislation that exist on the sector," he said. The decree would be prepared by the end of September, and would then go to the government's legal advisers and ministerial council before it is promulgated.

Reuters, Caracas

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Japan's contractors on shaky ground

Banks are becoming more selective about which companies they support

Japan's construction industry has for some time appeared remarkably resilient in the face of the plunging asset prices that have beset the economy in recent years. Rumours have abounded of impending failure, only to be quashed by the companies involved and their seemingly supportive main banks.

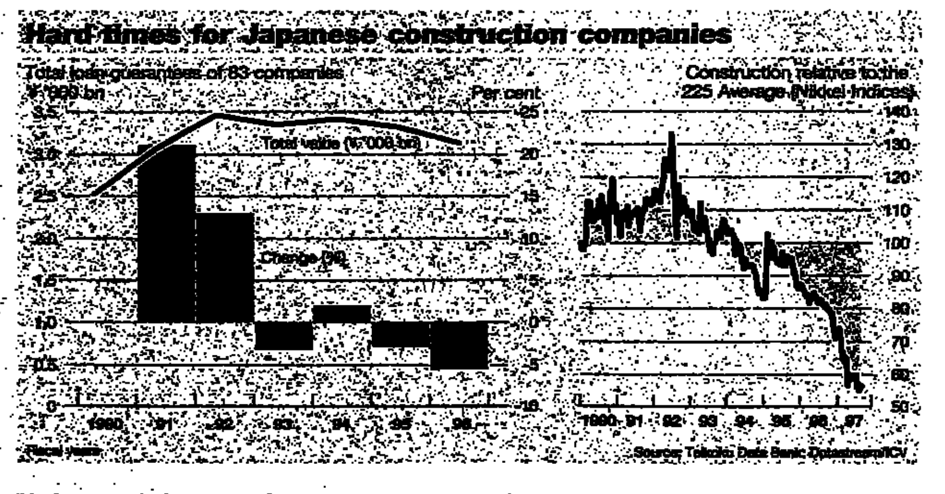
Construction companies, it was said, would not be allowed to fail for fear of the impact on employment and social unrest. The construction industry employs 10 per cent of Japan's workforce.

But on Tuesday, Daito Kogyo became the third listed construction company to fail in less than two months. The news confirmed fears that the industry is on the verge of a shake-out that could leave creditors with billions of yen in bad-loan write-offs, and lead to thousands of job losses.

Construction companies such as Daito, a medium-sized general contractor, and Tada and Tokai Kogyo, which both filed for bankruptcy in July, were brought to their knees by a combination of high debt and loan guarantees made to affiliated property developers in the late 1980s, when rising property prices spurred a rash of developments.

It became common practice among construction companies to extend loans to property developers or guarantee the developers' loans from banks as a way of winning construction orders.

"At the time, land prices were surging, and it was believed that if they purchased real estate their assets would continue to increase," says Takashi Hashimoto, industry analyst at Salomon Brothers in Tokyo.



A large part of the funds went into golf courses. Between 1989 and 1991, at the peak of the asset price bubble, between 80 and 100 golf clubs were opened in Japan, according to the Ministry of International Trade and Industry.

But falling land prices and a prolonged economic recession have left constructors with large losses on their assets, and loan guarantees and interest-bearing debt that have strained balance sheets.

"Carrying the balance sheet has become a Herculean task and if interest rates rise, we'll see a lot of these companies walking the plank," says Steven Weller, industry analyst at Jardine Fleming in Tokyo.

The recent failures illustrate the extent to which many construction companies allowed debts to accumulate. Daito collapsed with debts of more than Y150bn ($1.26bn), against shareholder equity of Y11.7bn. Tokai Kogyo, which in July became the first listed construction company to fail and the eighth largest corporate failure in Japan since the war, had debts of Y511bn and risk-bearing assets of Y326bn, against shareholder equity of Y8.7bn.

Teikoku Data Bank, a private credit research organisation, estimates the total debt incurred by the largest 118 general construction companies at Y10,304.6bn; the loan guarantees of 83 companies at more than Y3,000bn; and the payment arrears of 114 contractors at more than Y1,000bn.

The industry has been slow to deal with its debt problems because falling into loss would almost certainly mean losing public works contracts. Until recently, even the most financially strained contractors held out with the help of their banks and a high level of public works projects aimed at supporting the flagging economy.

But circumstances have changed. Japanese banks are facing their own shake-out with the planned Big Bang deregulation, and the government desperately needs to cut spending.

"As financial institutions face the need to strengthen their positions, they are taking a more stringent view of their bad loans," says Minoru Nakano, at Teikoku Data Bank. "The banks hold the key to the future of the construction companies."

There are already signs of a considerable divergence between the fortunes of those companies which have financial muscle or are supported by strong banks, and those that must rely on the support of weaker financial institutions.

The largest construction companies, such as Kajima, Obayashi and Shimizu, have been working at writing off their bad debts. For the past five years Tobishima, a weaker company, has had the highest level of loan guarantees among construction companies but has been saved by Fuji Bank, its main bank.

Mitsui Construction recently won the support of members of the Mitsui group for a restructuring that will include financial support from Sakura Bank and business support from Mitsui Real Estate.

On the other hand, Tokai Kogyo could not count on the continued support of Hokkaido Takushoku Bank, which itself has been under severe pressure. Sakura, Daito's main bank, is also a big lender not only to Mitsui Construction but also to Fujita, another contractor with a high debts.

As financial institutions become more selective about which contractors they continue to support, it is widely expected that smaller companies in the industry will be weeded out.

The government's pledge to cut public works spending by 7 per cent is also expected to result in larger companies taking market share from their weaker competitors, as private construction shows no signs of improving significantly in the near future.

"In the past, it may have been possible to support the weaker companies through public works contracts. But that is clearly no longer possible," says Mr Nakano.

Like it or not, he says, the era when Japanese contractors shared the spoils of a national build-up that was orchestrated by the triangle of politicians, bureaucrats and industry is giving way to an era of survival of the fittest.

Michiyo Nakamoto

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 1997

LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED

(Registration Number 57/02278/06) (Incorporated in the Republic of South Africa)

FINANCIAL HIGHLIGHTS

- *Headline earnings up 24,6% to R831,1 million*
- *Interim dividend increased by 20% to 168 cents per share*
- *Total assets exceed R100 billion*
- *Shareholders' wealth creation – R2 440,3 million (R9,71 per share)*
- *Headling earnings per share up 22% to 330,8 cents*
- *New individual premium income up 29%*
- *New annualised recurring premium income up 22%*

A. SUMMARISED GROUP INCOME STATEMENT

	Note	Six months ended 30 June (Unaudited) 1997 UK£m*	1997 Rm	1996 Rm	% change	Year ended 31 December (Audited) 1996 Rm
Net taxed operating surplus attributable to shareholders of Liberty Life	1	110.4	831,1	667,0	+24,6	1 538,8
Number of ordinary shares in issue (000's)		252 374	252 374	247 900		250 111
Number of ordinary shares on which net taxed operating surplus per share is based (000's)		251 239	251 239	245 863		247 392
		Pence	Cents	Cents		Cents
Net taxed operating surplus and headline earnings per ordinary share		43.9	330,8	271,2	+22,0	622,0
Dividends per ordinary share, cash equivalent						
– Interim (payable 3 October 1997)		22.3	168,0	140.0	+20,0	140,0
– Final (paid 4 April 1997)		—	—	—		180,0
Total ordinary dividends		22.3	168,0	140,0	+20,0	320,0

B. STATEMENT OF TOTAL CONSOLIDATED SURPLUS *ATTRIBUTABLE TO* SHAREHOLDERS – WEALTH CREATION

	6 months ended 30 June (Unaudited) 1997 UK£m*	1997 Rm	1996 Rm	Year ended 31 December (Audited) 1996 Rm
Net taxed operating surplus per income statement	110.4	831,1	667,0	1 538,8
Surpluses on shareholders' investments reflected directly in non-distributable reserves	213.7	1 609,2	(70,5)	974,3
Total consolidated surplus attributable to shareholders of Liberty Life – wealth creation	324.1	2 440,3	596,5	2 513.1
	Pence	Cents	Cents	Cents
Total consolidated surplus per ordinary share	129.8	971,3	242,6	1 015,8

*Converted at the rate of exchange at 30 June 1997 – UK£1 = R7,53

C. SUMMARISED GROUP BALANCE SHEET

	Note	30 June 1997 (Unaudited) UK£m*	30 June 1997 (Unaudited) Rm	31 December 1996 (Audited) Rm
Interests of shareholders of Liberty Life		2 278.6	17 157,9	14 919,2
Interests of minority shareholders in subsidiaries		1 440.4	10 845,9	10 697,5
Total shareholders' capital and reserves employed		3 719.0	28 003,8	25 616,7
Bonds convertible into group equity capital	7	357.4	2 691,5	2 578,8
Total capital resources		4 076.4	30 695,3	28 195,5
Other long-term liabilities		513.4	3 864,9	4 055,4
Life funds (including investment and other reserves)		8 167.0	61 497,6	46 168,9
		12 756.8	96 057,8	78 419,8
Represented by:				
Investments		12 315.4	92 734,7	74 643,5
Government, municipal and utility stocks		1 727.7	13 009,9	12 602,4
Debentures, mortgages and loans		163.4	1 230,4	1 066,3
Properties		3 125.2	23 540,2	23 089,3
Shares, mutual fund units and interests in associated companies		7 085.2	53 351,1	36 602,9
Deposits and money market securities		212.9	1 603,1	1 282,6
Fixed assets		29.0	218,3	189,3
Cash resources		576.1	4 338,1	4 564,2
Other current assets		381.9	2 875,4	3 090,3
Total assets		13 302.4	100 166,5	82 487,3
Current liabilities		545.6	4 108,7	4 067,5
		12 756.8	96 057,8	78 419,8

D. TOTAL SHAREHOLDERS' CAPITAL AND RESERVES EMPLOYED

	30 June 1997 (Unaudited) UK£m*	30 June 1997 (Unaudited) Rm	31 December 1996 (Audited) Rm
Interests of shareholders of Liberty Life at 1 January	1 981.3	14 919,2	12 567,2
Total consolidated surplus attributable to shareholders	324.1	2 440,3	2 513.1
Dividends (cash equivalent)	(56.3)	(424,0)	(797,3)
Subscription for shares in respect of conversion of convertible bonds, capitalisation share awards and staff share incentive schemes	29.5	222,4	636,2
Interests of shareholders of Liberty Life	2 278.6	17 157,9	14 919,2
Interests of minority shareholders in subsidiaries	1 440.4	10 845,9	10 697,5
Total shareholders' capital and reserves employed	3 719.0	28 003,8	25 616,7

*Converted at the rate of exchange at 30 June 1997 – UK£1 = R7,53

E. NOTES

1. Net Taxed Surplus

Actuarial valuations of the life funds of the Liberty Life Group are not conducted at the half-year stage. For the purpose of this interim report, the surplus from the life insurance operations has in accordance with past practice been based on an estimate resulting in that surplus being included in the net taxed operating surplus attributable to shareholders at half the level achieved for the previous full financial year. Disclosed net taxed operating surplus attributable to shareholders of Liberty Life and net taxed operating surplus per ordinary share are reflected, in terms of generally accepted accounting practice based on the underlying net taxed operating surplus which also includes equity accounted earnings of associated companies attributable to shareholders.

2. Record New Business

SOUTH AFRICA Total new business written by the Liberty Life Group, during the six months ended 30 June 1997 amounted to a record R2 667 million, representing a 20 per cent increase over the R2 224 million recorded for the comparable period in 1996.

New annualised recurring premium income written for the first six months of 1997 was R589 million compared to 1996's first half performance of R483 million, an increase of 22 per cent. Single premiums and annuity considerations totalled R2 078 million (1996: R1 741 million), an increase of 19 per cent. New individual premiums increased by 29%.

UNITED KINGDOM Towards the end of the six month period, B T Pension Scheme, the largest occupational pension fund in the UK, transferred £1,5 billion (R11,3 billion) of its funds (consisting mainly of UK equities) to Hermes Liberty International Pensions Limited, a subsidiary of the Liberty International Group by way of a single premium pension contribution which has been accounted for separately in the Liberty Life Group financial statements.

3. Operational Review

The strong performance of the insurance operations during the six-month period has been complemented by solid market gains in both policyholder and shareholder investments.

Net premium income during the six months ended 30 June 1997 (excluding the R11,3 billion single premium pension contribution received in the UK from the B T Pension Scheme) increased by 17,9% to R4 292 million compared to R3 642 million for 1996.

Management expenses at R331 million represent a virtually unchanged 7,7% of net premium income, and thus continues to impact favourably on our low expense ratios. As a function of combined net premium income and investment income the expense ratio remains marginally below 5%.

Liberty Life's evolutionary proprietary laptop technology "Blueprint", designed to enhance the effectiveness and transparency of our sales process, has established itself as a market leader as evidenced by increasing acceptance and use by the broker community as the *de facto* standard. The facilities for the support of new business as well as servicing of existing business continue to be improved, reinforcing Liberty Life's dominant position as the only provider of an all-encompassing, fully integrated, hi-technology solution for the sales intermediary.

The Company has refocused its product range for the corporate market with an exciting choice of innovative new investment products. The full range of Corporate Benefit policies will be distributed via Blueprint during the third quarter of 1997 which will add further to the attractiveness of the portfolio of corporate products on offer.

4. Investment Performance And Wealth Creation

The 24% increase in investment income to R2 333 million in the half year is due to a higher proportion of new money being invested in money market and fixed interest investments.

Shareholders and policyholders of Liberty Life have both benefited from the strong investment performance over the six-months ended 30 June 1997. Surpluses on shareholders' investments for the period reflected directly in non-distributable reserves amounted to R1 609 million, which, together with the net taxed operating surplus emerging in the income statement, translated into total wealth creation for shareholders of R2 440 million (R9,71 per share) in the six months ended 30 June 1997. This wealth creation represents the combined effective return to shareholders incorporating both income and capital surpluses. Investment surpluses for the six-months under review attributable to policyholders increased by 97% to R3 321 million reflecting the bouyant investment conditions prevailing during the period. This excellent performance maintains the Liberty Life Group's unbroken record of wealth creation and constantly increasing returns to policyholders over 40 years.

Total assets of the Liberty Life Group now exceed R100 billion, an increase of R17,7 billion over the six-month period.

5. Activities of Liberty International

An abbreviated review of the activities of Liberty International and its 72% owned subsidiary Capital Shopping Centres PLC is contained in the announcement by First International Trust of its interim results for the six months ended 30 June 1997 which is set out in this announcement.

6. Interests in Subsidiaries

During the six months ended 30 June 1997, Liberty Life increased its interest in First International Trust to 100 940 834 shares (31 December 1996: 95 817 522 shares). This holding represents 53,3 per cent (31 December 1996: 51,3 per cent) of First International Trust's issued ordinary share capital.

At 30 June 1997, Liberty Life, through its wholly-owned subsidiary TAI Investments Limited, directly held 31,8 per cent of the ordinary share capital of Liberty International. In addition, through its 53,3 per cent subsidiary First International Trust, Liberty Life indirectly held a further 41,4 per cent of the ordinary share capital of Liberty International. These represent an aggregate holding of 73,2 per cent in Liberty International, the listed United Kingdom subsidiary which controls Liberty Life's international operations.

7. Bonds convertible into Group equity capital

Convertible bonds comprise the unconverted balance (less convertible bonds held internally within the Group) of the funds raised in 1994 and 1996 pursuant to the capital raising transactions undertaken by Liblife International B.V., a wholly-owned subsidiary of Liberty Life, Liberty International and Capital Shopping Centres, the 72 per cent owned subsidiary of Liberty International.

During the six months ended 30 June 1997, Liberty International disposed of Capital Shopping Centres' 6.25 per cent subordinated convertible bonds due 2006 having a nominal value of £25.4 million (R191 million) to outside parties at a profit of £4.4 million (R33 million) retaining £110 million nominal (R828 million) of the £204 million (R1,54 billion) issue.

The outstanding proportion of the convertible bonds unless repurchased and cancelled are expected ultimately to be converted into ordinary shares of Liberty Life, Liberty International and Capital Shopping Centres respectively, thereby further increasing the total shareholders' capital and reserves of the Liberty Life Group which include minority shareholders' interests.

8. Prospects

Following the excellent results produced for the first half of 1997 and subject to no unforeseen factors arising during the remaining months of the financial year, the net taxed operating surplus and results for 1997 are expected to show a highly satisfactory increase over the level attained in 1996.

F. DECLARATION OF INTERIM ORDINARY DIVIDEND OF 168 CENTS PER SHARE

Notice is hereby given that interim ordinary dividend No. 62 of 168 cents per share has been declared in respect of the year ending 31 December 1997 payable to shareholders registered in the books of the company at the close of business on Friday, 5 September 1997.

Dividend cheques payable in South African currency will be posted on or about 3 October 1997.

G. REVIEW OF THE ACTIVITIES OF LIBERTY INTERNATIONAL HOLDINGS PLC ("LIBERTY INTERNATIONAL")

Results of Liberty International for the six months ended 30 June 1997

The first half of 1997 saw further steady progress by Liberty International. Operating profit, the most important measure of underlying trading performance, increased by 15 per cent from £62.7 million to £72.4 million. The advance in operating profit translated into a strong improvement of 15 per cent in earnings per share before exceptional items from 9.69p to 11.12p. Exceptional profits of £6.4 million were recorded, compared with £9.5 million in the first half of 1996, thereby increasing total earnings per share to 13.41p (1996 - 13.15p). These exceptional profits in the first half of 1997 mainly reflected profits generated on the disposal, at prices in excess of 1996 year end carrying values, of a portion of Liberty International's holding in Capital Shopping Centres' 6.25% subordinated convertible bonds 2006, with the nominal value of the holding reduced in the period from £135.4 million to £110 million.

The excellent performance was driven by strong growth in shopping centre rental and turnover income which increased from £38.2 million to £45.3 million. The embryonic financial services activities which now include the life insurance business of Liberty International Pensions showed an overall start-up operating loss of £3.7 million.

Net Asset Value of Liberty International

Capital Shopping Centres PLC ("CSC") which is 72 per cent. owned by Liberty International, occupies a unique position amongst listed property companies, as a single focus company and particularly through its active management approach towards its shopping centres. In view of the unique dynamics of CSC's shopping centre portfolio, the directors of CSC consider that there is an overwhelming case that interim results, to be meaningful, should *include a full external valuation of the income generating assets as the valuation of these* assets represents the single most significant factor for investors in measuring the overall performance of the company in the shopping centre industry.

The Board of CSC has therefore commissioned a full external valuation of the completed shopping centre portfolio as at 30 June 1997. This external valuation has, at the interim stage, produced a gross valuation of £1.65 billion, against £1.51 billion at the year ended 31 December 1996. The revaluation surplus for the six month period amounted to £135 million which represents a 9 per cent improvement in the first six months of the year after taking account of capital expenditure during the period. Of this £135 million valuation surplus, £97 million is attributable to the shareholders of Liberty International and the balance to minority shareholders of CSC. This uplift has been fully reflected in the June 1997 interim consolidated balance sheet of Liberty International contributing significantly towards a net asset value per share increase from £4.36 to £4.73. The directors of CSC have indicated that, in the future, external valuations will be routinely incorporated into both the interim and final financial statements of CSC. CSC's major £250 million development at Braehead in Glasgow is now scheduled for completion not later than July 1999, with the first phase of this 200 acre development site comprising a 600,000 sq. ft. shopping centre, retail warehousing, hi-tech offices and associated leisure facilities.

The uplift in net asset value of Liberty International at 30 June 1997 takes no account of any surplus since 31 December 1996 in the £649 million commercial property portfolio held through the 100 per cent owned subsidiary, Capital & Counties plc, for which an external revaluation was not carried out at the half year stage as such a revaluation would not have produced a material impact on the net asset value of the larger Liberty International group.

Financial Services - Liberty International

The unit trust business, conducted through the 70 per cent owned Portfolio Fund Management Limited, showed further strong growth in the first half of 1997 with funds under management increasing from £51 million to £75 million. Investment performance has continued to be highly satisfactory, with the main Fund of Funds product continuing to be a top decile performer since launch and the Asia Fund likewise having performed in the top decile since launch in November 1996.

Liberty International Jersey concentrated in the first six months of the year on marketing its Standard & Poors 'AAAm' rated Sterling and Dollar money funds which, including group funds, had increased substantially since inception in November 1996 to over $500 million invested at 30 June 1997. The funds showed excellent investment performance at 30 June 1997, with the Sterling money fund ranking 5th out of 86 funds since inception and the Dollar money fund ranking 9th out of 75 funds over the same period. In reality, the performance was even better than the above figures would indicate as few of the money funds against which Liberty International's funds are measured are 'AAAm' rated funds operating within the strict criteria required to maintain the highest rating level.

Including institutional funds managed in Jersey, total funds under management in Jersey at 30 June 1997 exceeded $650 million compared with $350 million at 31 December 1996, with the money funds in particular amongst the fastest growing funds in their sector. Further product launches are planned for Liberty International Jersey in the second half of 1997 which can build effectively on the successes to date of the money fund products.

Liberty International Pensions Limited was launched as a prototype specialist pensions operation in January 1997. While there has been considerable investor interest in the initial personal pension offered directly to the public, slow initial sales have confirmed Liberty International's judgement that the most effective way to reach scale and critical mass in the UK pensions market is through group arrangements and that individual personal pensions will represent only a supplementary flow of business compared with the core group operations which will fundamentally determine the success of the venture. The group personal pension product is now reaching its final stage of development and, having been implemented for its first two group clients, is being thoroughly tested and is being prepared for external marketing in the second half of 1997.

Arrangements were completed in the first half of the year to introduce two 10 per cent shareholders, Capital Group International Inc. ("Capital International"), the major global fund management group, and BT Pension Scheme, the largest occupational pension fund in the UK. The presence of these two major shareholders is a powerful endorsement of Liberty International Pensions' positioning in the UK market.

Capital International and Hermes, the investment manager owned by the BT Pension Scheme, have been appointed as fund managers to Liberty International Pensions' global equity and index-tracking portfolios respectively. Potential customers now have access to complementary fund management of unparalleled quality.

As part of the latter arrangements, BT Pension Scheme transferred around £1.5 billion of its funds to Hermes Liberty International Pensions Limited, a subsidiary of Liberty International Pensions Limited, by way of a single premium pension contribution. This subsidiary will now actively market its index tracking fund management services to UK exempt-approved institutional investors, as well as providing index tracking funds for individual and group personal pension customers of Liberty International Pensions.

Prospects of Liberty International

Liberty International has positioned itself in the pensions and unit trust industry in the UK and in the offshore market with Liberty International Jersey. Start up activities obviously take time to deliver positive results but are indicative of the intention to build the proper foundations to enable Liberty International to deliver long term value to shareholders. The advantage of the approach taken is that Liberty International has a considerably strengthened management team and is now better positioned to deliver long term value to shareholders from a substantial financial services acquisition. However, the emergence of any meaningful level of profitability from the pension activities cannot be expected for a considerable number of years given the extremely low level of expense and profitability loadings implied and expected by regulators, Government and the public. In the meantime, the shopping centre, commercial property and other financial activities of Liberty International have delivered shareholders with strong results.

Liberty International is confident that the further strong momentum which has developed in the UK shopping centre and commercial property market in the first six months should, unless conditions change markedly in the second six months, lead to an excellent overall performance in 1997.

On behalf of the Board

D Gordon, *Chairman* — R C Andersen, *Group Chief Executive* — A Romanis, *Managing Director*

Johannesburg
20 August 1997

South African transfer secretaries: Mercantile Registrars Limited, 6th Floor, 94 President Street, Johannesburg, 2001 P O Box 1053, Johannesburg, 2000
United Kingdom transfer secretaries: Independent Registrars Group Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU
These results and an overview of the Liberty Life Group are available on Internet at http://www.sadata.co.za

COS AND FINANCE: ASIA-PACIFIC

Normandy advances 24% as costs decline

By Elizabeth Robinson in Sydney

Normandy Mining, Australia's largest gold producer, reported record annual profits of A$123.5m (US$91.2m), thanks largely to lower production costs. The figure represents a 24 per cent increase, on a pro forma basis, over the previous year.

Colin Jackson, executive general manager, said: "If we have to crow about anything, it's that we reduced our costs in four consecutive quarters while other goldminers are now reviewing their assets."

Gold production costs were an average A$30 an ounce lower over the year at A$336, falling to A$325 in the past three months.

Gold posted operating profits of A$376.4m, a rise of A$20.6m. KCMG, the joint venture which owns Super Pit, Australia's largest gold mine, lifted profits nearly 60 per cent to A$108.2m owing to higher production and grades.

Normandy – which was reporting its first full-year result after the merger with its PosGold, Gold Mines of Kalgoorlie and North Flinders associates – said it was maintaining its dividend at 6 cents but that this was on an extra 1bn shares resulting from the merger.


Robert Champion de Crespigny: focus on low-cost gold production to continue

Shares in Normandy closed 3 cents higher at A$1.63.

Robert Champion de Crespigny, chairman, was positive about the current year, saying the group would continue to focus on low-cost gold production.

The new Vera-Nancy mine in Queensland is expected to be the group's lowest-cost producer at about A$170 an ounce, according to Mr Jackson. In addition, the Ovacik mine in Turkey, which is due to be commissioned in December, should be another low-cost producer.

Mr de Crespigny also forecast a 50 per cent rise in output of zinc concentrate to 160,000 tonnes. The current spot price for zinc was more than 70 US cents a pound against an average 53 cents last year, he said.

Sales of zinc by volume last year reached a record 94,040 tonnes, up 28 per cent, because of the full-year contribution from the expanded Woodcutters mine. A 16 per cent increase in the price lifted revenues from zinc 48 per cent.

Although the price of copper was 5 per cent lower over the year, Normandy raised copper revenues 58 per cent because of increased production.

Grant Craighead, analyst at Macquarie Bank, said the results were better than expected. The company was in a strong hedging position against price movements for the next 10 years, giving it assured earnings over the next five years, he added.

Gold production, Page 18

Canadian listings planned

Normandy Mining hopes to list shares in Toronto and Montreal in October, writes Elizabeth Robinson. It said the planned listings were not a money-raising exercise but were aimed at ensuring that "Canadian institutions are suitably apprised of the merits of investing in Normandy".

The company had considered a New York listing but had chosen Canada because a listing in New York was "very expensive" and the legal requirements in Toronto and Montreal were "not dissimilar to those in Australia".

Colin Jackson, executive general manager, told the Financial Times that Normandy wanted a Toronto listing because that exchange accounted for 83 per cent of the Canadian market and attracted mutual fund money, while Montreal tended to attract pension fund money that was value-driven and not market-driven.

"It's important to develop a shareholder base that is not totally composed of precious metals funds," he said. "If you can spread the type of investor, that gives a more stable base." He hoped the listing would take place in October, to coincide with the company's annual report.

Mixed results at Fletcher Challenge

By Terry Hall in Wellington

Fletcher Challenge Paper, the New Zealand resource group's international newsprint and woodpulp unit, unveiled a loss of NZ$385m (US$247m) in the year to June 30, a sharp turnround from last year's NZ$177m profit.

The result highlighted the mixed fortunes enjoyed by companies in the Fletcher Challenge group.

Fletcher Challenge Energy reported a four-fold increase in net earnings to NZ$308m, while Fletcher Challenge Forests saw profits surge 107 per cent to NZ$153m. Fletcher Challenge Building lifted net earnings 21 per cent to NZ$146m.

The paper division's loss included a provision of NZ$400m relating to a write-down of UK Paper, its UK subsidiary. The fine paper operations in the UK incurred an operating loss of NZ$43m, against a NZ$27m loss last year.

The company also saw a severe deterioration in market conditions in the first half, which hit earnings at its North American businesses in particular.

John Hood, chief executive of the paper division, said demand for most of the company's products had begun to improve.

"We appear to have passed through the trough of a price and inventory cycle in newsprint, and US prices have returned to US$580 a tonne on the west coast," he said.

He added that the sale of the 51.6 per cent shareholding in former Canadian subsidiary Timberwest and the purchase of News Ltd's stake in Australian Newsprint Mills would strengthen the company's performance.

However, the outlook for fine papers in Europe was not encouraging, Mr Hood said.

Fletcher Challenge Energy's stronger earnings flowed from record production of 50.2m barrels of oil, combined with improved oil and condensate prices, the group said.

Fletcher Challenge Forests' increased earnings were attributed largely to gains from the sale of surplus New Zealand forests.

Consolidated profits for the parent company, Fletcher Challenge, an unlisted entity, fell 7.8 per cent to NZ$458m after extraordinary items.

ASIA-PACIFIC NEWS DIGEST

Strong growth at Keppel Land

Several members of the Keppel Group, one of Singapore's largest conglomerates, yesterday reported strong first-half performances as the real estate and banking operations more than offset continued lacklustre results from marine activities.

Keppel Land lifted net profit 85 per cent from S$45.3m to S$84m (US$55.6m) and revenues from S$207.4m to S$339.7m, as several real estate projects reached completion. Keppel Bank posted a 17 per cent increase in net profits from S$42m to S$49m, as interest income climbed 7.3 per cent and non-interest income rose 15 per cent. Fee income from investment banking, stockbroking and treasury operations were the biggest contributors. Group loans and advances grew 19 per cent to S$6.1bn.

However, marine-related operations continued to be weak. Industry analysts said rising costs of land, labour and utilities in Singapore had undermined the ship-repair business as strong low-cost competitors emerged in the Middle East and China.

Keppel Telecommunications and Transport posted a 19 per cent decline in net profits from S$5.8m to S$4.7m. This was caused by poor results from the shipping arm and the start-up costs of Mobile One, Singapore's second mobile telephony operator, which was launched in April.

Keppel Marine Industries increased first-half net profits 4.4 per cent from S$6.8m to S$7.1m. It completed four vessels during the period and expects the performance of the ship-repair business to improve in the second half. Keppel Integrated Engineering, also a marine-related business, saw a 39 per cent fall in net profit from S$7.1m to S$4.5m owing to thin profit margins.

James Kynge, Kuala Lumpur

■ BUILDING MATERIALS

Ampol weakness hurts Pioneer

Pioneer, the Australian building products group, reported a fall in net profit to A$215m (US$159m) for the year to June 30, 15 per cent down on the previous 12 months. The company blamed lower dividends from its 50 per cent share in the Ampol petroleum business.

Profits at Ampol, formed two years ago when Pioneer merged its petroleum activities with Caltex Australia, were "disappointing", according to John Schubert, chief executive. The unit was hit by lower crude oil prices, which cut its contribution by more than half from A$69.5m to A$29.8m.

Pioneer is reviewing its interest in Ampol and confirmed it is in talks with Caltex over the sale of Pioneer's stake.

The company said strong growth and record earnings from operations in Asia and the US more than offset lower results from European building materials. The current year is likely to see a rise in profits from building materials in Australia, the US and Asia, but earnings from Europe are expected to fall. Sales from building materials rose 3.6 per cent to A$3.14bn on higher volumes, which offset lower prices in some markets.

Mr Schubert said profits in the current year were expected to increase, but much would depend on Ampol's performance.

Elizabeth Robinson, Sydney

■ BROKING

Jardine lifts stake in Thai affiliate

Jardine Fleming Holdings has increased its stake in its Thai affiliate, the brokerage house Jardine Fleming Thanakom Securities, to 49 per cent after buying an additional 5 per cent of the company from One Holding, the ailing investment arm of the collapsing Finance One empire, for an estimated Bt25.1m.

One Holding, which has stopped paying all creditors and defaulted on $13.5m in bills of exchange earlier this year, sold its entire 21 per cent stake in Jardine Fleming Thanakom for Bt108.7m ($3.3m), valuing the unlisted Thai company at Bt17 a share.

The remaining 16 per cent was bought by members of the Chatikavanij family, which now owns a 30 per cent stake in the company. Finance One still holds 10 per cent.

Ted Bardacke, Bangkok

Case to be heard in New York after Justice Department's successful appeal

US case against TI to go ahead

By Ross Tieman

A New York court is expected to rule next year on claims that TI, the UK engineering group, defrauded the US Air Force by over-charging for aircraft components.

The way was cleared this week for the case to go ahead, after the US Justice Department successfully appealed against a ruling that the case could not be heard in a New York Court.

In its first such action against an overseas corporation, the Justice Department has joined suit with Jeffrey Thistlethwaite, a former manager at TI US subsidiary Dowty Woodville Polymer (DWP).

They claim that over a decade, DWP overcharged for seals used on the wing slots of swing-wing aircraft, including F111 and B1 bombers. Lawyers for Mr Thistlethwaite, who could be entitled to a share of any damages under US laws designed to encourage "whistle-blowers," say damages could reach $60m.

Last night, TI remained adamant that its subsidiary, acquired during the £500m ($815m) takeover of Dowty in 1992, had done nothing wrong.

The Justice Department lawsuit was filed in April last year, after Mr Thistlethwaite began a private action alleging that DWP had systematically witheld the true manufacturing costs of the components.

These were supplied under a series of fixed-price contracts, won during the mid-1980s. As a condition of the contracts, DWP was supposed to disclose its production costs, and propose an additional percentage for profits.

But the plaintiffs claim the costs were inflated, and the Air Force was overcharged by up to $20m over the course of the contracts.

In seven claims for damages, the Justice Department has alleged that Dowty violated the False Claims Act, the Truth in Negotiations Act, breached contracts, was "unjustly enriched" and "received payments made under mistake of fact."

According to documents filed in New York, Mr Thistlethwaite warned senior colleagues they were over-charging the US Air Force in 1991, but was subsequently "relieved of his responsibilities" for the F111 and B1 components.

Mr Thomas Engel of Engel & McCarney, the law firm representing Mr Thistlethwaite, said the case would now move to further exchanges of documents between the parties and to a pre-trial examination of witnesses.

Weir up 44% and keen for purchases

By Peter Marsh

Weir Group yesterday bucked the trend in the UK engineering industry by announcing a 44 per cent rise in first-half profits to £27.8m ($45.3m).

It also said it was searching for acquisitions valued at up to £100m.

Pre-tax profits for the six months to June 27 were struck from turnover little changed at £318.6m (£314m). Orders rose 21 per cent to £345m.

Sir Ron Garrick, chief executive, said the rise in sterling in the past year "is not causing us significant problems".

Even though 60 per cent of Weir's sales are outside Britain, exports from the UK are low due to its policy of siting manufacturing around the world.

The company was looking for bolt-on acquisitions, said Sir Ron, but might also look outside its core areas of business. The group had cash of £11m at the half-year, but Sir Ron said it would be looking to pay up to £100m for the right acquisition.

"These results are a bit of a breeze," he said.

Sir Ron said price pressures in the pump industry – which provides half of the company's sales – were easing as a result of consolidation in the sector. This had helped improve margins.

Weir was seeing particularly good demand from customers in mining and general industry. However, the engineering services division, which provides 20 per cent of sales, had been "held back" by poor performances at two of its subsidiaries.

Weir also announced that Mr David Newlands, formerly finance director at GEC, has joined the board as a non- executive.

Earnings per share were up 47 per cent at 10p (6.8p). The company is paying an interim dividend of 2.54p, 10 per cent higher than last time.

European sell-offs by Mayne Nickless

By Elizabeth Robinson

Mayne Nickless, the Australian transport group, has sold its two European logistics businesses to Hays, the UK distribution and services company. It said it planned to forge a relationship with Hays to offer a "seamless" service through Australia, Asia and Europe.

The two businesses, Heijden Logistics of the Netherlands and France Distribution Systems were sold for FFr930m ($150m) in cash and debt. Mayne Nickless acquired FDS in 1992 and 70 per cent of Heijden in 1990, buying the outstanding shares in 1992. It did not disclose the purchase prices.

Bob Dalziel, Mayne Nickless managing director, said the company was exiting Europe to concentrate on its operations in Australia and Asia.

Last month, in Malaysia Mayne Nickless entered its second joint venture in south-east Asia. The Malaysian transport venture, 49 per cent-owned by Mayne Nickless, will also develop a distribution centre for Malaysia and Singapore. The deal followed a logistics venture in Indonesia.

Rentokil grows by 20% again

By Charis Gresser

Rentokil Initial, the business services group which tripled in size last year after acquiring BET, yesterday said the deal was vindicated by yet another 20 per cent increase in interim earnings.

But some analysts expressed concern at the figures, pointing to lower than expected group turnover.

Sir Clive Thompson, chief executive, conceded that organic growth in Rentokil's businesses averaged some 14 to 16 per cent a year, with the balance typically coming from acquisitions.

Interim pre-tax profits rose 44.2 per cent to £193.9m ($316m), yielding a 20.3 per cent rise in earnings per share to 4.74p.

Turnover jumped 67.5 per cent to £1.41bn. The figures include six months of BET's businesses, compared with just two months in last year's interim figures. The reported figures are struck after the adverse impact of sterling, which hit profits by £14.3m. At constant exchange rates, earnings per share would have risen by 28.4 per cent.

The company prides itself on delivering consistent earnings growth, averaging 23 per cent a year for the past 15 years. But Sir Clive admitted: "Nothing grows by 20 per cent for ever".

"We've been hoisted by our own requirement, and now the City is sitting by the side of the race track watching to see if we crash. At some point we will fail to achieve the target, but it's our job to keep that day as far away as possible."

Brendan Corr

Clive Thompson concedes: 'at some point we will fail to achieve the earnings growth target'

He said yesterday's results backed up his contention that BET "consisted of good businesses which were badly managed".

Profit margins in personnel services, almost a pure BET businesses, nearly doubled from 3.78 per cent to 7.25 per cent.

Margins slipped, however, in the company's largest business, hygiene and cleaning services, from 20.3 per cent to 19.4 per cent.

Turnover suffered in those divisions which now include BET businesses, as management cut back on contracts which it said were not profitable enough.

The company reported net cash flow of £55.7m, which reduced its debt at the half year to £454.2m. Shareholders receive a 20.3 per cent rise in the interim dividend to 0.89p.

Reactions from the City were varied. One analyst described the results as "spectacular". Another said: "We have not been reassured by today's results that the BET takeover was the right move".

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NEWS DIGEST

Wassall looking at acquisitions

Wassall, the industrial conglomerate, said it was concentrating on making fresh acquisitions following the sale of its remaining 19.5 per cent stake in General Cable Corporation of the US.

The company sold 4.35m shares in the telephone and wires group at $31 a share in New York, adding £80m ($130.4m) to its £220m cash pile. David Roper, deputy chief executive, said Wassall was "keen on converting the cash into operating assets" rather than "letting the money burn a hole" in its pockets.

Wassall floated 80 per cent of GCC at £21 a share in May, enabling it to distribute £150m to shareholders. Since the float, GCC's shares had performed well and Wassall has been able to dispose of its remaining stake earlier than expected.

The total proceeds from the disposal, including the initial public offering, will amount to £477m $763m (£477m). Wassall bought GCC three years ago for $177m.

Mr Roper said McBride, Europe's biggest manufacturer of own-label consumer products, and TLG, a lighting equipment company, were "obvious targets" for Wassall in the eyes of outside watchers.

In June, it emerged that Wassall had secretly built up a stake of 2.98 per cent in McBride, although the company has claimed that the holding was "an investment". Wassall also has close to 5 per cent in TLG. *Emiko Terazono*

Kalon makes Dutch purchase

Kalon, the decorative paints manufacturer, yesterday bought 75 per cent of Circle, one of the largest makers of private label paints in the Netherlands for an undisclosed sum. The remaining 25 per cent of the company will be owned by Henk Bijl, its managing director, who will remain in place.

For the year to December 31 1996 Circle had sales of Fl 32m ($15.4m) and net assets of Fl 3.8m. The company, founded in the 1970s, has three production sites.

Yesterday's deal follows Kalon's recent purchase of a 70 per cent stake in Prominent Paints of South Africa. Kalon has held a small stake in Circle since 1991, since when the companies have co-operated.

Regalian in £60m venture

Regalian Properties has teamed up with three Singaporean groups – Waterbank, NatSteel Properties and Ossia Land Private – to buy Point West, a 500,000 sq ft residential development in London's Knightsbridge for £60m ($98m).

Completion of the project, scheduled for 1999, is expected to cost a further £60m. The deal is Regalian's second large venture with Singaporean partners since it set up an office in Singapore in June last year.

LIG buys Topaz brand

London International Group, the leading manufacturer of branded condoms, has bought the Topaz condom brand and its patented applicator for £1.3m ($2.1m).

The deal is part of LIG's plans to bring new products to the condom market. Top of the list is its Avanti polyurethane condom, which the company says is stronger and thinner than latex condoms.

The product, due to be launched in the UK in the autumn, is currently waiting approval from the US Food & Drug Administration. *Roger Taylor*

BG directors to consider buy-back

By Ross Tieman

A share buy-back worth up to £2bn ($3.3bn) will be among the options to be reviewed by directors of BG, the gas utility, when they decide upon a new capital structure for the gas exploration, production and distribution company next month.

Details of a new capital structure and a new dividend policy will be revealed alongside maiden interim results of the former British Gas arm, which demerged its gas trading business Centrica in February and renamed itself BG.

Yesterday, shares in BG added 5p to 259p as expectations mounted.

BG already has gearing of 96 per cent, and the imposition of a £513m windfall levy and a tough price-control regime upon its TransCo pipeline subsidiary have made a capital restructuring inevitable.

The company, which has been unable to raise its dividend for several years, is expected to rebase its dividend and declare a strategy for progressive pay-outs.

Analysts believe David Varney, the Shell manager who became chief executive in February, and Philip Hampton, hired as finance director from British Steel, will take a far less conservative approach to financing than their predecessors.

Although BG has no retained merchant bank adviser, Schroders have in the past been called in to advise on projects such as the demerger.

Brokers believe the bank may now be assisting the new management to develop a range of balance sheet options. "A buy-back looks pretty likely," said one.

Simon Flowers, of broker NatWest Securities, believes BG may spend about £1.25bn to buy its own shares. That would give the company a more efficient capital structure, while leaving sufficient funds for development, including investment in exploration and production.

Despite its high gearing, analysts say BG will have cash interest cover of seven or eight times over the next five years. United Utilities, the multi-utility regarded by many as a model of financial efficiency, has cover of 4.5 to five times. If BG were to adopt a similar structure, they say, it could borrow £3bn to fund a buy-back or shareholder distribution.

The way was cleared for a decision on the capital structure last month by the publication of a report by the Monopolies and Mergers Commission into TransCo's price control formula.

Yesterday, BG despatched its formal response to a consultation document by Ofgas, the regulatory body, calling upon Clare Spottiswoode, the regulator, to accept the MMC recommendations in their entirety.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Armitage Bros	Yr to June 1	26.4	(26.2)	1.41	(1.4)	23.7	(22.9)	4.1	Oct 22	4.1	7.4	7.2
BLP	6 mths to June 30	16.7	(17.4)	1.25	(0.802)	14.6	(10.6)	2.5	Sept 26	1.5	-	5
Bodycote Intl	6 mths to June 30	99.9	(61.4)	23.5♥	(12.6)	20.6†	(13.3)	3.5	Dec 31	2.6	-	7.6
Conrad Ritblat	Yr to May 31	28.5	(20.3)	3.2	(1.58♠)	18.4†	(8.3)	5.61	Oct 31	4.68	7.59	6.325
Edinburgh Oil & Gas	6 mths to June 30	2.35	(2.04)	0.379	(0.413)	1.09	(1.19)	-	-	-	-	0.28
Ionica	3 mths to June 30	-	(-)	30.3L	(1.26L)	26.73L†	(1.49L)	-	-	-	-	-
Nichols (Vimto)	6 mths to June 30	36.1	(35.4)	4.19	(3.8)	7.45	(6.44)	2.7	Oct 27	2.45	-	7.1
Rentokil Initial	6 mths to June 30	1,410	(842)	193.9	(134.5)	4.74	(3.94)	0.89	Nov 6	0.74	-	2.53
Richardsons	6 mths to June 30	62.1	(60.4)	2.96	(2.49)	5.3	(4.46)	1.6	Oct 24	1.4	-	4.1
Systems Integ Φ	16 mths to May 31☆	1.45	(1.25)	1.94L♠	(0.642L)	16.2L†	(5.8L)	-	-	-	-	-
Weir	6 mths to June 27	318.6	(314)	27.8	(19.2)	10	(6.8)	2.54	Nov 10	2.31	-	8

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Henderson High Inc	6 mths to June 30	147.3	(129)	1.88	(1.73)	3.57	(3.5)	1.65♦	Oct 31	1.6	-	6.45

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. ☆Comparatives pro forma for 12 months. ♦Second interim; makes 3.3p to date.

LEGAL NOTICES

Europe gives up early gains

GOVERNMENT BONDS

By John Labate in New York and Vincent Boland in London

European bond markets turned in a mixed performance yesterday, mostly giving up early gains after the US commerce department reported a lower than expected trade deficit for June, which caused US Treasuries to fall in morning trading.

High-yielders were the exception, with Italy again posting strong gains and outperforming the core European markets. But analysts said trading was generally thin due to holiday factors.

US TREASURIES fell after the June trade data were published. By early afternoon the benchmark 30-year bond was down 7/16 to 97 23/32, yielding 6.540 per cent.

Prices of shorter-term issues also lost ground. The 10-year note fell 4/32 to 99 1/32, yielding 6.240 per cent, and the two-year note was 1/32 lower at 100, yielding 5.855 per cent.

The commerce department reported a trade deficit of $8.2bn in June and a revision of the deficit for May to $9.5bn from an earlier $10.2bn estimate.

Imports fell 0.7 per cent in June while exports increased 0.9 per cent. Economists said the effect of these figures will be an upward revision to second-quarter GDP.

In spite of the impact of the trade deficit on growth, the implication for interest rates is less certain.

"The trade figures alone won't move the Fed closer to tightening policy," said Cheryl Katz, senior economist at Merrill Lynch in New York. High inventory accumulations should contribute to slower second-half GDP growth, she added.

Lower yields this week spurred some morning selling, as did anticipation of new corporate debt issues.

"When the long bond yield moved near 6.5 per cent, some investors decided to lock in rates," said Patrick Dimick, Treasury market analyst at UBS Securities.

The early fall in Treasuries knocked the core European markets off their stride, with only **UK GILTS** managing to record gains on the day. They were cheered by news that retail sales expanded by 0.3 per cent in July, at the lower end of expectations.

Nigel Richardson, head of bond research at Yamaichi International, said the data were "a relief factor" for the gilt market, which is sensitive to each piece of data now that the Bank of England has suggested the cycle of interest rate rises may be over for the moment.

The figure "doesn't point strongly in the direction of an interest rate rise but the monetary policy committee will be studying it closely," Mr Richardson said.

Gilts traded in a narrow eight-tick range. The September futures contract settled 1/32 higher at 115⅛.

GERMAN BUNDS fell as the D-Mark turned in another weak performance against the dollar. Investors were also studying a new survey from the Ifo research institute showing a strong improvement in business sentiment in western Germany.

Some analysts argued that an improvement in the business climate suggested the economy would be more resistant to a rise in German interest rates.

"There is less of a reason to keep rates on hold, should the D-Mark weaken further, for fear of snuffing out economic growth," noted David Brown, chief European economist at investment bank Bear Stearns.

The Bundesbank council is due to meet today for its first gathering since the summer break, with the question of interest rates having been well aired over the past few weeks.

The September bund futures contract settled 13 basis points lower at 102.73, having hit an intra-day high of 102.94.

FRENCH BONDS fell in sympathy, with the September notional futures contract settling 6 points lower in Paris at 130.14.

ITALIAN BTPs put in the strongest performance of the day, with the September futures contract settling 72 points higher at 136.72, though it fell slightly in after-hours trading.

The firmer lira against the D-Mark and a benign outlook for inflation – Italian cities are due to start reporting July inflation figures today – gave a positive background to trading.

SPANISH BONOS also closed higher, with the futures contract gaining 23 points to 117.57, on the back of the Italian performance.

Fannie Mae in A$1bn global

INTERNATIONAL BONDS

By Edward Luce

Fannie Mae, the US Federal National Mortgage Association, enlivened the markets yesterday with its third global Australian dollar bond so far this year. The A$1bn bond, which will be formally launched today, is Fannie Mae's first three-year in that currency after the five and 10-year offerings earlier this year.

Officials in Washington said Fannie Mae had not planned to build a yield curve in Australian dollars but had repeatedly spotted good funding opportunities in that sector.

"We swap everything back into US dollars so we keep a close eye on good funding windows," said David Levine, director of debt marketing at Fannie Mae.

An official at SBC Warburg, joint lead manager with Merrill Lynch, said the bond was mainly targeted at Asian investors, unlike the five-year bond, which had been aimed at US investors.

At a 35 basis point spread through the US Treasury yield curve, three-year Australian government bonds are not obviously attractive to US buyers.

"A coupon of around 5¾ is not going to grab the American investor," said a banker in London. "Conversely, for the Japanese investor there is a potential currency gain with the Australian dollar falling against the yen."

Officials said Fannie Mae paper had "surrogate government bond" status in the Australian market. This enhanced the attractiveness of the bond, which was priced to yield a spread of 12 basis points over Australian government bonds.

The Australian dollar is one of five new currencies Fannie Mae has tapped this year. The others are sterling, D-Marks, and New Zealand and Hong Kong dollars.

Mr Levine said the agency, the world's largest mortgage finance house, also wanted to draw international investors into its domestic bond investor base through its global funding exercise.

Less than 15 per cent of Fannie Mae's $85bn primary bond issuance last year was offered on the international markets. About half of Fannie Mae's domestic issuance is callable, to give Fannie Mae the flexibility to adjust its liabilities to the vagaries of its mortgage portfolio.

- ● **Lebanon** is planning a $400m 10-year eurobond issue in what would be the first part of a $1bn bond programme proposed by prime minister Rafik al-Hariri.
- ● **Vneshtorgbank**, Russia's bank for foreign trade, is to launch its debut eurobond in September, according to *Chase Manhattan*, which will lead manage the issue.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ **US DOLLARS**							
Cregem Finance	100	6.25	100.12R	Oct 2001	0.225R	+17(6%Aug00)	BIL
Pactual Overseas Corp	50	9.125#	99.744R	Sep 2002	0.875R	+310(6Jul02)	Credit Lyonnais, London
■ **LUXEMBOURG FRANCS**							
Cregem International Bank(s)	2bn	5.25	102.45	Apr 2004	1.875	-	BIL
■ **AUSTRALIAN DOLLARS**							
Federal National Mtg Assoc	1bn	(a)#	(a)R	Sep 2000	0.15R	+12(13Jul00)	Merrill/SBC Warburg
ANZ Banking Group(l)	100	6.00	100.515	Dec 2001	1.75	-	TD Securities

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Priced today. l) Long 1st coupon. s) Short 1st coupon.

Investor confidence in Russia improves

By Vincent Boland

Confidence in the performance of Russian shares is higher now than it was six months ago, according to a new survey, but political risk, the paucity of shareholder rights, and crime and corruption are the main factors determining US investor perceptions of the country.

The survey, of US investment institutions, showed that one of the most important concerns is the disclosure standards of Russian companies. Nearly 90 per cent of respondents said companies failed to provide adequate financial, operational and strategic information to shareholders.

The disclosure problem is especially acute among small and medium companies, increasingly the target of western investors.

"There is growing demand for increased information from these firms," according to Broadgate Consultants, the New York firm that carried out the survey.

There is also dissatisfaction with steps to improve corporate governance at Russian companies.

Nearly 70 per cent of investors surveyed said government attempts to enforce shareholder-friendly legislation were "fair to poor", and there was growing frustration at the inefficiency of the judicial system and securities laws.

However, more than 80 per cent of investors said they expected to maintain or increase exposure to Russia over the next year. A big majority also felt the government was doing an effective job of promoting private sector economic growth.

CAPITAL MARKETS NEWS DIGEST

Japanese first from Sanwa Bank

Sanwa Bank, one of Japan's largest banks, is to issue Japan's first fixed maturity subordinated bond next month. Officials at J.P. Morgan, which will be jointly lead-manager with Sanwa International, said the bank wanted to diversify out of its traditional home investor base with the $500m issue.

By issuing a 10-year subordinated note (with a five-year call facility), the bank wanted to distance itself from the spate of recent perpetual subordinated bonds issued by other Japanese banks. Many had failed to spark strong interest among European investors, an official said. "Japanese banks tend to drop eurobonds into the market without any warning. We want to prepare the European investor base before pricing this one."

In addition, by making them perpetual, Japanese subordinated note issuers had targeted "much too specialist" an investor base, Sanwa said. "We want to target as wide an investor base as possible," said the official. "We don't want to see the usual situation, where most of the paper is bought by offshore Japanese investors and then deposited back home."

Japanese banks are expected to become increasingly active in the eurobond markets in a drive to make their assets work harder. Subordinated bonds, which allow banks to fulfil their tier-two capital adequacy requirements, and securitised debt issues are expected to be in the forefront of this drive. *Edward Luce*

■ DERIVATIVE INSTRUMENTS

Vereinsbank mortgage-linked notes

Bayerische Vereinsbank, the Munich-based banking group, has launched a new derivatives product targeted at short-term investors which will link the performance of a *eurobond to that of the US mortgage market*. American Mortgage Corporation, a special-purpose Vereinsbank vehicle, will issue short-term principal-only euronotes, offering enhanced returns linked directly to the value of an actively-managed mortgage fund.

The six-month notes will be extendible semi-annually for up to three years and will be redeemable at par on maturity. The notes will carry a rating of A1+r, the highest short-term rating, from Standard & Poor's. AMC will also invest in a fund investing primarily in mortgage-backed securities set up by Fischer Francis Trees & Watts, a US fixed-income investment house, and the Federal Home Loan Mortgage Corporation.

Stephan Bub, chief executive of Vereinsbank Americas Group in New York, said the transaction was in line with the globalisation of real estate refinancing. Vereinsbank recently launched a global Pfandbrief offering US investors exposure to the German mortgage market.

Mr Bub said that the new vehicle was aimed at "big, liquid-position investors with a short-term horizon" such as money-market funds, multinationals with big cash positions, and insurance companies. *Vincent Boland*

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/07	124.8387	+0.420	6.60	6.91	6.69
Austria		5.625	07/07	99.7400	−0.160	5.66	5.75	5.70
Belgium		6.250	03/07	103.9500	−0.140	5.70	5.79	5.62
Canada *		7.250	06/07	109.1500	−0.470	6.00	6.07	5.98
Denmark		7.000	06/07	105.9300	−	6.19	6.29	6.07
France	BTAN	4.750	03/02	100.0530	−0.160	4.73	4.79	4.43
	OAT	5.500	10/07	99.7900	−0.180	5.52	5.61	5.40
Germany Bund		6.000	07/07	102.8200	−0.190	5.62	5.71	5.54
Ireland		8.000	08/06	110.8300	−0.120	6.38	6.47	6.37
Italy		6.750	02/07	101.9800	+0.420	6.47†	6.62	6.36
Japan	No 148	5.600	06/02	119.8836	+0.070	1.34	1.40	1.57
	No 182	3.000	09/05	106.9974	+0.070	2.06	2.13	2.28
Netherlands		5.750	02/07	101.4800	−0.140	5.54	5.64	5.48
Portugal		9.500	02/06	121.2000	+0.200	6.21	6.32	6.22
Spain		7.350	03/07	107.8400	+0.200	6.22	6.37	6.17
Sweden		8.000	08/07	111.2227	+0.690	6.44	6.60	6.44
UK Gilts		7.000	06/02	100-05	+5/32	6.96	7.05	7.09
		7.250	12/07	101-26	+2/32	7.00	7.09	7.01
		9.000	10/08	115-04	+2/32	7.02	7.11	7.04
US Treasury *		6.125	08/07	99-03	−11/32	6.25	6.37	6.22
		6.375	08/27	97-29	−12/32	6.53	6.65	6.53
ECU (French Govt)		5.500	04/07	87.2000	−0.340	5.88	5.94	5.71

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	-	Two year	5.87
Broker loan rate	7¼	Two month	-	Three year	6.00
Fed.funds	5⅞	Three month	5.24	Five year	6.10
Fed.funds at intervention	-	Six month	5.36	10-year	6.24
		One year	5.53	30-year	6.55

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	130.24	130.14	−0.06	130.34	130.04	84,275	156,769
Dec	99.20	99.12	−0.04	99.32	99.06	5,161	11,776
Mar	98.60	98.52	−0.04	98.60	98.60	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Sep	Oct	Dec	PUTS Sep	Oct	Dec
127	2.55	-	-	0.01	-	-
128	1.60	-	-	0.06	-	-
129	0.77	-	-	0.24	-	-
130	0.23	-	-	0.69	-	-
131	0.10	-	-	1.56	-	-

Est. vol. total, Calls 4,831 Puts 4,460. Previous day's open int., Calls 86,225 Puts 122,404.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.83	102.73	-0.13	102.94	102.60	157461	264131
Dec	101.96	101.88	-0.13	102.08	101.80	5373	23532

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Sep	Oct	Nov	Dec	PUTS Sep	Oct	Nov	Dec
10250	0.26	0.33	0.59	0.76	0.05	0.95	1.21	1.38
10300	0.03	0.19	0.41	0.56	0.30	1.31	1.53	1.68
10350	0	0.10	0.27	0.41	0.77	1.72	1.89	2.03

Est. vol. total, Calls 35444 Puts 34638. Previous day's open int., Calls 185735 Puts 263955

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	136.00	136.72	+0.72	136.82	135.90	66263	105218
Dec	108.40	108.74	+0.59	108.75	108.37	13003	5959

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	Dec	PUTS Sep	Dec
8000		28.74		0
8050		28.24		0
8100		27.74		0

Est. vol. total, Calls 5751 Puts 3965. Previous day's open int., Calls 102633 Puts 133978

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	117.28	117.57	+0.24	117.72	117.25	73,716	88,629
Dec	101.31	101.44	+0.30	101.52	101.30	1,785	2,962

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	115-01	115-04	+0-02	115-14	115-01	53924	170589
Dec	115-01	114-24	+0-02	115-01	114-22	749	10141

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Sep	Oct	Nov	Dec	PUTS Sep	Oct	Nov	Dec
115	0-15	0-50	1-10	1-28	0-07	1-02	1-26	1-44
116	0-01	0-27	0-48	0-63	0-57	1-43	2-00	2-15
117	0	0-13	0-29	0-42	1-56	2-29	2-45	2-58

Est. vol. total, Calls 4993 Puts 2335. Previous day's open int., Calls 48650 Puts 46034

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	97.28	97.24	-0.06	97.34	97.18	595	5,683
Dec	97.00	96.90	-	97.00	97.00	1	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	114-07	113-25	−0-13	114-08	113-25	303,956	502,334
Dec	113-28	113-13	−0-13	113-28	113-13	6,017	61,826
Mar	−	113-16	-	-	113-09	17	32,402

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	127.24			127.33	127.23	3002	n/a
Dec	126.46			126.51	126.46	1598	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Wed Aug 20	Day's change %	Tue Aug 19	Accrued interest	xd adj. ytd		Low coupon yield Aug 20	Aug 19	Yr. ago	Medium coupon yield Aug 20	Aug 19	Yr. ago	High coupon yield Aug 20	Aug 19	Yr. ago
1 Up to 5 years (19)	119.54	0.06	119.80	2.23	7.01	5 yrs	6.99	7.00	7.15	7.07	7.09	7.23	7.10	7.13	7.31
2 5-15 years (21)	153.22	0.07	153.10	2.47	7.42	15 yrs	6.98	6.98	8.08	7.01	7.02	8.08	7.06	7.09	8.10
3 Over 15 years (5)	182.81	0.06	182.69	6.84	6.99	20 yrs	6.96	6.96	8.16	6.99	7.00	8.16	7.06	7.08	8.19
4 Irredeemables (5)	241.11	0.09	240.88	3.62	8.36	Irred.†	7.08	7.09	8.20						
5 All stocks (50)	147.55	0.07	147.59	3.12	7.34										

Index-linked							Inflation 5% Aug 20	Aug 19	Yr. ago	Inflation 10% Aug 20	Aug 19	Yr. ago
6 Up to 5 years (2)	207.11	0.06	207.00	2.36	3.03	Up to 5 yrs	3.56	3.57	2.05	2.84	2.85	0.35
7 Over 5 years (10)	200.74	0.11	200.52	0.82	4.70	Over 5 yrs	3.51	3.52	3.67	3.29	3.30	3.44
8 All stocks (12)	200.32	0.10	200.11	0.97	4.51							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Aug 20	Aug 19	Aug 18	Aug 15	Aug 14	Yr ago	High*	Low*
Govt. Secs. (UK)	97.03	96.97	96.96	96.73	96.85	93.14	97.88	93.31
Fixed interest	126.10	126.27	126.02	125.54	125.65	113.69	126.68	115.32

* for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until further notice.

Gilt Edged Activity Indices

	Aug 19	Aug 18	Aug 15	Aug 14	Aug 13
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 20

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100⅜	100⅝	−⅛	6.41
ABN Amro Bank 7¼ 05	1000	102¾	103	−⅛	6.80
African Dev Bk 7⅜ 23	500	102¾	103¼	−¼	7.13
Alberta Province 7⅝ 98	1000	101¾	101⅞	−⅛	6.05
Argentina 11⅜ 17	2000	117⅞	118⅛	−¼	9.58
Asian Dev Bank 6¼ 05	750	98⅝	98⅞	−¼	6.57
Austria 8½ 00	400	105	105⅛		6.19
Baden-Wuertt L-Fin 8⅛ 00	1000	104⅛	104¼		6.22
Bancomext 7¼ 04	1000	94	94⅜	+¼	8.65
Bank Ned Gemeenten 7 99	1000	101¾	101⅞		6.05
Bayer Vereinsbk 8⅛ 00	500	104	104¼	−⅛	6.28
Belgium 5½ 03	1000	95⅞	96⅛	−⅛	6.32
British Columbia 7¾ 02	500	105⅜	105⅝	−⅛	6.41
British Gas 0 21	1500	17¼	17½		7.53
British Telecom 6¾ 02	1500	101⅝	101¾	−¼	6.33
Canada 6⅜ 05	1500	99¾	99⅞	−⅛	6.52
Cheung Kong Fin 5½ 98	500	98⅞	99	+⅛	6.57
China 6½ 04	1000	98	98¼		7.01
Credit Foncier 9½ 99	300	104¾	104⅞		6.06
East Japan Railway 6⅝ 04	600	99⅞	100	−⅛	6.64
EIB 6 04	500	99	99¼	−⅛	6.18
Ex-Im Bank Japan 8 02	500	105⅜	105⅝	−⅛	6.39
Exxon Capital 0 04	1800	64¼	64½		6.30
Fed Home Loan 7⅛ 99	1500	102⅛	102¼		6.02
Federal Natl Mort 7.40 04	1500	105½	105⅝	−⅛	6.50
Finland 7⅞ 04	1500	108¼	108⅜	−⅛	6.49
Ford Motor Credit 6½ 02	1250	99⅞	100	−⅛	6.64
General Mills 0 13	1000	28	28¼	+⅛	8.29
INI Finance 5¼ 98	650	98⅞	99⅛	−⅛	6.15
Inter-Amer Dev 6⅛ 06	1000	98	98⅛	−⅛	6.54
Inter-Amer Dev 7½ 05	500	105¼	105½	−⅛	6.59
Intl Finance 5¼ 99	500	99	99¼	−⅛	6.00
Italy 6 03	2000	99	99¼	−⅛	6.29
Italy 6⅞ 23	3500	97½	97⅞	−¼	7.21
Japan Dev Bk 6⅜ 01	500	108¼	108½	−⅛	6.30
Korea Elec Power 6⅜ 03	1350	96¾	97½		7.14
Matsushita Elec 7¼ 02	1000	103¾	103⅞	−⅛	6.45
Mexico 9⅞ 07	1000	107	107⅜		8.96
Minfin Russia 9¼ 01	1000	102⅝	102⅞		8.68
Ontario 7⅜ 03	3000	104¼	104½	−¼	6.54
Ontario 7¾ 02	2000	105⅝	105¾	−⅛	6.47
Oster Kontrollbank 8½ 01	200	106⅝	106⅞	−⅛	6.38
Portugal 5¾ 03	1000	97½	97¾	−¼	6.34
Quebec Hydro 9¾ 98	150	103⅝	103¾	−⅛	6.24
SAS 10 99	200	105	105⅜	−⅛	6.39
Spain 6½ 99	1500	100⅞	101		6.04
Sweden 6½ 03	2000	101⅜	101½	−⅛	6.30
Tennessee Valley 6 00	1000	99⅝	99¾	−⅛	6.22
Tennessee Valley 6⅜ 05	2000	99½	99⅝	−⅛	6.56
Tokyo Elec Power 6⅛ 08	1000	99¼	100	−⅛	6.17
Toyota Motor Credit 7 07	1000	102¼	102⅜	−¼	6.68
United Kingdom 6¾ 01	2000	102¼	102⅜	−⅛	6.08
United Kingdom 7¼ 02	3000	104⅜	104⅝		6.24
Walt Disney 6⅜ 01	1300	100⅛	100¼	−⅛	6.43
World Bank 6⅜ 05	1500	99⅞	100⅛	−¼	6.50
World Bank 8⅜ 99	1500	105⅛	105⅜	−⅛	5.84
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	100⅞	101		6.43
Baden-Wuertt L-Finance 6 99	2000	103¼	103½	−⅛	4.00
Bayerische LB 5 08	1500	102⅝	102¾	−⅛	5.60
Credit Foncier 7¼ 03	2000	108⅝	109		5.39
Depfa Finance 6⅞ 03	1500	105⅝	105¾	−⅛	5.27
Deutsche Bk Fin 7½ 03	2000	110⅛	110⅜	−¼	5.31
Deutsche Finance 5¾ 04	2500	103¼	103¼	+⅛	5.16
EEC 6½ 00	2900	105¼	105⅜	−⅛	4.27
EIB 6¼ 00	1500	104¾	104⅞	−⅛	4.29
Finland 7½ 00	3000	107⅜	107½	−⅛	4.23
Helaba Intl 5¾ 01	1500	103¾	103⅞	−¼	4.75
KFW Intl Finance 6¼ 03	2250	105½	105⅝	−⅛	5.18
LKB Baden-Wuertt 6½ 08	2250	105½	105⅞	−⅛	5.81
Ontario 6¼ 04	1500	104⅞	105	−⅛	5.32
Spain 7¼ 03	4000	110⅜	110½	−⅛	5.05
Volkswagen Intl Fin 7 03	1000	108¼	108⅜		5.30
World Bank 5⅞ 03	3000	104⅜	104⅜	−⅛	5.03
World Bank 6⅛ 02	3000	105⅜	105½	−¼	4.91
World Bank 7⅛ 05	3000	110½	110½	−⅛	5.41
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	43⅞	44¼	+⅛	4.56
Austria 4½ 00	1000	105⅝	105¾	−⅛	2.14
Denmark 4¼ 99	1000	104⅜	104½	−¼	2.11
EIB 3¾ 99	1000	102⅞	103		1.70
EIB 6¾ 04	308	115¼	115½		4.23
Finland 7¼ 99	300	110¼	110½	+⅛	2.27
Helaba Finance 3¾ 00	1000	104⅝	104⅞	−¼	2.30
Iceland 7⅝ 00	100	114⅛	114⅝		2.59
Inter Amer Dev 4¾ 03	600	108⅝	108⅞	+⅛	3.19
Ontario 6¼ 03	400	115¼	115¾	+⅛	3.15
Quebec Hydro 5 08	100	103⅝	104⅜		4.58
SNCF 7 04	450	121	121½	+⅛	3.81
Sweden 4¼ 03	500	108¼	108⅞	+⅛	3.21
World Bank 0 21	700	31¾	31⅞	+⅛	4.84
World Bank 7 01	600	114⅞	115¼	+⅛	2.55
YEN STRAIGHTS					
Belgium 5 99	75000	109⅜	109⅝		0.91
EIB 6⅝ 00	100000	114⅝	114⅞		0.84
Ex-Im Bank Japan 4⅜ 03	105000	114⅞	115⅛		1.78
Fed Nat Mort 2 99	100000	102⅝	102¾	+⅛	0.86
Inter Amer Dev 7¼ 00	30000	116⅞	117⅛	+⅛	0.97
Italy 3½ 01	300000	108⅛	108¼		1.32
Italy 5 04	200000	119¼	119½		2.13
Japan Dev Bk 5 99	100000	108⅝	108⅞		0.86
Japan Dev Bk 6½ 01	120000	120⅝	120¾	+⅛	1.28
SNCF 6¾ 00	30000	114½	114¾		0.92
Spain 5¼ 02	125000	118¾	119		1.49
Sweden 3⅞ 99	75000	105⅝	105⅞		0.78
World Bank 5¼ 02	250000	117⅛	117⅛	+⅛	1.38
OTHER STRAIGHTS					
EBRD 14¼ 98 R	250	99¼	100¼	−⅛	15.36
World Bank 15 99 R	500	100¼	101¼	−⅛	14.80
Austria 6½ 99 R	1000	103⅞	104⅛	−⅛	4.10
PTT Nederland 6½ 08 R	1300	104¾	104⅞		5.80
Bell Canada 10⅝ 99 C$	150	109⅞	110⅛	−⅛	5.04
British Columbia 7¾ 03 C$	1250	110⅛	110⅜	−¼	5.76
Canada Mtg & Hsg 8¼ 99 C$	1000	108½	108⅝		4.77
Elec de France 9¾ 99 C$	275	109⅛	109⅜	−⅛	4.95
KfW Int Fin 10 01 C$	400	114¼	114⅝	−¼	5.45
Nippon Tel Tel 10¼ 99 C$	200	110⅜	110⅝	−⅛	5.05
Ontario 8 03 C$	1500	111⅛	111⅜	−⅛	5.71
Ontario Hydro 9 02 C$	2000	114⅝	114⅞	−⅛	5.59
Ontario Hydro 10⅞ 99 C$	500	109⅛	109⅜	−¼	4.80
Oster Kontrollbank 10¼ 99 C$	150	109⅝	110	−⅛	4.91
Quebec Hydro 7 04 C$	1000	105⅝	105⅞	−¼	6.07
Quebec Prov 10½ 98 C$	200	107	107⅜	−⅛	4.69
Council Europe 9 01 Ecu	1100	114¼	114½	+⅛	5.16
Credit Foncier 8⅜ 04 Ecu	1000	112⅞	113⅜	−⅛	5.94
Denmark 8½ 02 Ecu	1000	113⅝	113⅞		5.14
EC 6 00 Ecu	1100	108¼	108½	+⅛	4.57
EIB 10 01 Ecu	1150	115⅞	116⅛		4.84
Finland 8½ 07 Ecu	750	117¾	118⅛	+⅛	5.98
Italy 9¼ 11 Ecu	2500	126¾	127¼	−¼	6.26
Italy 10¾ 00 Ecu	1000	114⅝	114⅞		4.84
United Kingdom 9⅛ 01 Ecu	2750	113¼	113⅜		4.80
AIDC 10 99 A$	100	107⅜	107¾	−¼	5.64
Comm Bk Australia 13¾ 99 A$	100	115¼	115⅝	−¼	5.77
EIB 7¾ 99 A$	350	104⅞	105⅜		5.18
Nat Australia Bank 6¼ 99 A$	250	101⅛	101½	−⅛	5.47
NSW Treasury Zero 0 20 A$	1000	20⅜	21⅛	+⅛	7.08
R & I Bank 7¾ 03 A$	125	105½	105⅞	−⅛	6.57
State Bk NSW 9 02 A$	300	110½	110⅞	−½	6.50
Sth Aust Govt Fin 9 02 A$	160	110¼	110⅝	−¾	6.55
World Bank 8¼ 00 A$	100	106	106½	−¼	5.98
Abbey Natl Treasury 8 03 £	1000	102¼	102⅜	+⅛	7.48
British Land 8⅞ 23 £	150	107⅝	107⅞	+⅛	8.33
Denmark 6¾ 98 £	800	99⅜	99½		7.41
Depfa Finance 7⅛ 03 £	500	98¼	98⅜	+⅛	7.48
EIB 8 03 £	1000	103¼	103⅜	+⅛	7.28
Finland 7 00 £	500	99¼	99½		7.26
Glaxo Wellcome 8¾ 05 £	500	107¼	107⅜	+⅛	7.53
HSBC Holdings 11.69 02 £	365	116⅜	116⅝	+⅛	7.59
Italy 10½ 14 £	400	128	128¼		7.50
Japan Dev Bk 7 00 £	200	99¼	99½		7.25
Land Secs 9½ 07 £	200	112⅛	112½	+⅛	7.67
Ontario 11⅛ 01 £	100	110½	110¾		7.55
Powergen 8⅞ 03 £	250	105¼	105⅜	+⅛	7.67
Severn Trent 11½ 99 £	150	108½	108¾		7.56
Tokyo Elec Power 11 01 £	150	111	111¼	+⅛	7.54
TCNZ Fin 9¼ 02 NZ$	75	105⅝	105⅜		7.81
World Bank 9 99 NZ$	250	101⅞	102¼	+⅛	7.87
Credit Local 6 01 FFr	8000	104¾	104⅞		4.73
Denmark 5½ 99 FFr	7000	102⅞	103		4.09
Elec de France 8¾ 22 FFr	3000	129⅞	130¼		6.33

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury −1/16 99	1000	99.95	100.02	5.7500
Argentaria Global Fin 0 01	700	99.76	99.84	5.7188
Cades −1/16 01	2000	99.67	99.73	5.6250
Canada −¼ 99	2000	99.81	99.88	5.5000
CCCE 0 06 Ecu	200	99.75	100.00	4.0625
Commerzbk O/S Fin −⅛ 98	750	99.84	99.91	5.6875
3CIF 0.15 03 DM	1250	100.11	100.20	3.2750
Credit Lyonnais 1/16 00	300	98.38	98.70	5.9375
Fed Nat Mort −3/16 00	1000	99.82	99.89	5.6250
Finland −⅛ 99	1500	99.98	100.03	5.5938
Halifax BS 0 99	500	100.05	100.12	5.8125
IMI Bank Intl ¼ 99	500	100.33	100.42	6.0625
Italy 0 05 Ecu	1000	99.76	99.91	4.2109
Italy 1/16 99	1500	100.33	100.38	5.7812
LKB Baden-Wuert Fin −⅛ 98	1000	99.96	100.03	5.8750
Lloyds Bank Perp S 0.10	600	90.50	91.50	5.6938
Malaysia 1/16 05	650	99.80	99.90	6.0625
Nova Scotia 1/16 99	500	99.97	100.09	5.9062
Ontario 0 99	2000	100.13	100.20	5.7422
Portugal 1/16 99 DM	2500	100.28	100.33	3.1875
Quebec Hydro 0 99	500	99.85	99.95	5.7500
Renfe 0 98	500	99.83	100.00	5.8750
Spain −1/16 02 DM	2000	100.09	100.15	3.0938
State Bk Victoria 0.05 99	125	99.95	100.15	5.9562
Sweden −⅛ 01	2000	100.00	100.06	5.5938
United Kingdom −⅛ 01	2000	99.93	99.97	5.5312

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
Allied-Lyons 6¾ 08 £	200	6.04	99¾	100⅝	+25.65
Fuji Intl Finance ¼ 02 Y	250000	2002	105¾	106⅝	+34.85
Grand Metropolitan 6½ 00	710	4.87	135½	136½	−1.15
Hong Kong Land 4 01	410	31.05	99¾	100¾	+0.11
Inchcape 6¾ 08 £	125	6.89	86	87	
Land Secs 6¾ 04 £	175	7.45	126	127	+1.26
Lasmo 7¾ 05 £	90	5.64	97½	98½	
MBL Ins Fin 3 02	2000	22	109⅜	110¾	+2.94
Mitsui Bank 2⅝ 03	200	2332.6	91	93	
NFC 7¾ 07 £	83	2.87	95½	96½	
P&O 7¾ 08 £	150	6.72	109⅛	110⅜	+14.22
Sainsbury 8½ 05 £	280	3.37	131⅞	132⅞	+0.78
Sappi BVI Finance 7½ 02	250	76	96⅜	97⅜	
Sapporo 1⅜ 00 Y	40000	1059.4	100⅞	101⅞	+26.17
Sun Alliance 7¼ 08 £	155	3.9	139⅛	139¼	+46.78
Transatlantic Hldgs 5½ 09 £	250	5.05	101¾	102⅝	+2.05
Yamanouchi Ph 1⅜ 00 Y	30000	2555.7	120¾	121¾	+2.53

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by International Securities Market Association.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas 8¾pc 1997‡‡	8.75	7.35	100⅛xd	—	107 23/32	100 1/16
Exch 15pc 1997	14.79	6.69	101 15/32	−1/16	110¼	101 13/32
Exch 9¾pc 1998	9.65	6.93	101 1/16	−1/32	104 21/32	100 1/32
Treas 7¼pc 1998‡‡	7.24	7.01	100⅛	—	109 23/32	100 1/16
Treas 15½pc '98‡‡	14.25	7.06	108 23/32	—	117 13/16	108 13/32
Exch 12pc 1998	11.35	7.06	105 23/32	−1/32	111 17/32	105 11/16
Treas 9½pc 1999‡‡	9.21	7.07	103 3/16	—	105⅝	97 11/16
Treas Fltg Rate 1999‡‡	-	-	100 3/32	—	100 3/32	99 27/32
Exch 12¼pc 1999	11.38	7.08	107⅝	—	113 13/32	107⅝
Treas 10½pc 1999	9.95	7.08	105½	+1/32	110 13/16	105 13/32
Treas 6pc 1999‡‡	6.11	6.96	98¼	+1/32	99¼	96 13/32
Conv 10¼pc 1999	9.63	7.06	106 13/32	+1/32	110½	106 3/32
Treas 8½pc 2000 ⅌	8.25	7.12	103 3/32	+1/16	104 3/32	102 15/32
Conv 9pc 2000‡‡	8.62	7.07	104⅜	+1/16	107½	103 13/32
Treas 13pc 2000	11.29	7.10	115⅛	+1/16	120⅞	115 1/16
Treas 14pc 1998-1	13.34	7.01	104 21/32	−3/32	112 13/32	104 21/32
Treas 8pc 2000‡‡	7.78	7.02	102¾	+1/16	104 13/32	102
Treas Fltg Rate 2001	-	-	100⅛	—	100 1/32	99 13/32
Treas 10pc 2001	9.18	7.07	108⅞xd	+3/32	112 13/32	99 13/32
Conv 9½pc 2001 ⅌	8.80	7.12	107 21/32	+1/16	109 3/32	107 1/16
Conv 9¾pc 2001 ⅌	8.95	7.11	109	+1/16	110 21/32	106½
Treas 7pc 2001‡‡	7.01	7.01	99⅞	+1/32	101⅛	96 1/32
Exch 12pc 1999-2 ⅌	11.27	7.09	106 15/32	−1/32	109 3/32	105 15/32
Conv 10pc 2002 ⅌	8.98	7.09	111 5/16	+3/32	112⅞	109 13/32
Treas 7pc 2002‡‡	6.99	6.95	100⅛	+1/32	101 7/16	97 13/32
Five to Fifteen Years						
Conv 9½pc 2002 ⅌	3.66	7.10	109 11/16	+3/32	110 23/32	108⅛
Treas 9¾pc 2002	8.78	7.07	111 1/16xd	+3/32	122¼	109½
Exch 9pc 2002 ⅌	8.32	7.11	108 3/32	+1/32	109¼	106 7/16
Conv 9¾pc 2003 ⅌	8.69	7.09	112¼	+1/16	113⅞	110 13/32
Treas 8pc 2003‡‡	7.65	7.16	104 15/32	+⅛	105 13/32	102 3/16
Treas 13¾pc 2000-3 ⅌	11.73	7.12	117¼	+1/16	119 23/32	117 1/16
Treas 10pc 2003	8.76	7.05	114 1/16	+3/32	116 1/32	111⅞
Treas 11½pc 2001-4	10.12	7.09	113⅝	+1/16	121⅝	113¼
Treas 10pc 2004 ⅌	8.86	7.07	115 1/16	+3/32	116 1/16	113
Funding 3½pc 1999-4	4.03	5.84	86 13/32	+1/16	87 3/16	81 1/16
Conv 9½pc 2004	8.38	7.03	113 13/32	+1/16	114 13/32	109 13/32
Treas 6¾pc 2004‡‡	6.85	6.98	98 7/16	+1/16	99 3/32	94 3/16
Conv 9½pc 2005	8.32	7.05	114 3/16	+1/16	122 23/32	110 3/16
Exch 10½pc 2005 ⅌	8.89	7.06	120 13/32	+1/16	121 13/32	117 3/16
Treas 12½pc 2003-5	9.85	7.07	129 13/32	+1/32	129 13/32	124 13/32
Treas 8½pc 2005‡‡	7.80	7.03	109 1/32	+1/32	109⅞	104⅛
Conv 9¾pc 2006 ⅌	8.27	7.07	117 13/32	+1/32	118 13/32	113 13/32
Treas 7½pc 2006‡‡	7.27	7.02	103 3/32	+1/32	103 13/32	97 1/16
Treas 7¾pc 2006‡‡	7.42	7.05	104½	+1/32	107¼	97½
Treas 8pc 2002-6‡‡	7.73	7.18	103 7/16	+1/16	104 7/16	100 13/32
Treas 11¾pc 2003-7	9.74	7.08	120 13/32	+⅛	123 3/16	115⅛
Treas 8½pc 2007‡‡	7.72	7.06	110 1/16	+1/32	111 1/32	103 13/32
Treas 7¼pc 2007‡‡	7.12	6.99	101 13/32	+1/32	102 13/32	96⅝
Treas 13½pc 2004-8 ⅌	10.13	7.10	133 1/32	+⅛	134 3/16	131⅛
Treas 9pc 2008‡‡	7.82	7.01	115⅛	+1/16	116	103 13/32
Treas 8pc 2009	7.42	7.01	107 13/32	+1/16	108¼	99
Treas 6¼pc 2010‡‡	6.70	7.03	93 1/16	+1/16	95⅝	83⅞
Conv 9pc Ln 2011‡‡	7.88	7.03	117⅛	+1/16	118⅜	107 3/16
Over Fifteen Years						
Treas 9pc 2012‡‡	7.64	7.04	117 13/32xd	+1/16	119 3/32	105½
Treas 5½pc 2008-12‡‡	6.26	6.83	87 13/32	—	89 1/16	77 13/32
Treas 8pc 2013‡‡	7.33	7.02	109 1/32	+1/16	110½	97 13/32
Treas 7¾pc 2012-15‡‡	7.30	7.05	106 3/32	—	107 13/32	95⅜
Treas 8pc 2015‡‡	7.24	6.96	110 13/32	+1/32	111 13/32	97 13/32
Treas 8¾pc 2017‡‡	7.38	7.00	118 3/32xd	+1/32	120 3/16	103 3/16
Exch 12pc 2013-17 ⅌	8.12	7.02	147 13/32	+1/16	148½	138⅛
Treas 8pc 2021‡‡	7.13	6.93	112¼	+1/16	113⅞	97 3/16
Undated						
Consols 4pc	7.31	-	54 13/16	+3/32	55⅞	47¼
War Loan 3½pc‡‡	7.01	-	49 13/16	+1/32	50¾	42 3/16
Conv 3½pc '61 Aft	5.25	-	66 13/16	−1/16	67 13/16	59 1/16
Treas 3pc '66 Aft	7.41	-	40½	—	41 1/16	35 1/16
Consols 2½pc	7.04	-	35½	—	36 1/16	30 1/16
Treas 2½pc	7.16	-	34 13/32	+1/16	35 13/32	29½

Notes	Yield (1)	Yield (2)	Price £	+ or −	52 week High	52 week Low
Index-Linked (b)						
4⅝pc '98‡‡ (135.6)	−	1.82	114 13/16	—	114 13/16	113 13/32
2½pc '99 ⅌	1.77	3.02	183⅛	+1/16	183⅛	179 3/16
2½pc '01 (78.3)	2.83	3.35	187 13/16	+⅛	187 13/16	181 13/16
2½pc '03 (78.8)	3.03	3.54	183 13/16	+3/16	184 3/16	177 3/16
4⅜pc '04‡‡ (135.6)	3.09	3.53	118 13/16	+1/16	120 3/16	115¾
2pc '06 (69.5)	3.19	3.52	194 13/16	+⅛	195 13/16	185 1/16
2½pc '09 (78.8)	3.21	3.48	176 1/16	+1/16	178 3/16	165 13/16
2½pc '11 (74.6)	3.25	3.49	182 13/16xd	+1/16	183 1/16	171 3/16
2½pc '13 (89.2)	3.28	3.49	150 13/16	+1/16	150 13/16	140 13/16
2½pc '16 (81.6)	3.30	3.49	161 13/16	+1/16	161 13/16	148 13/16
2½pc '20 (83.0)	3.35	3.51	155 13/16	+1/16	155 13/16	142 13/16
2½pc '24‡‡ (97.7)	3.37	3.51	129⅛	+⅛	129 3/16	118 3/16
4⅛pc '30‡‡ (135.1)	3.38	3.50	126 13/16	+3/16	126 13/16	118 3/16

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for December 1996: 154.4 and for July 1997: 157.5.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Asian Dev 10¼pc 2009	8.41	7.40	121⅞	—	123 13/32	114 13/16
B'ham 11½pc 2012	8.55	7.70	134½	—	134½	123
Leeds 13½pc 2006	9.75	-	138½	—	141½	131½
Liverpool 3½pc Irred	7.61	-	46	—	46	37½
LCC 3pc '20 Aft	7.69	-	39xd	—	39	32⅝
Manchester 11½pc 2007	9.02	7.65	127½	—	128½	120½
Met. Wtr 3pc 'B'	3.61	6.35	83xd	—	83	76½
‡Anglia 3⅞pc 2021	-	3.90	150 3/16	—	150 13/16	139½
4⅛pc IL 2024	-	4.32	145½xd	—	145 13/16	133¾

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices. ⅌ Indicative price.

CURRENCIES AND MONEY

Dollar gains as trade gap shrinks

MARKETS REPORT

By Simon Kuper

The dollar rose yesterday as the US trade deficit shrank and a German interest rate change became an ever more distant prospect.

The US trade deficit fell 14.5 per cent in June, soothing fears that Washington might seek a weaker dollar in order to improve its trade figures. But the dollar barely moved against the yen yesterday, closing in London at Y118.1, as the bilateral US deficit with Japan grew. "The trade issue with Japan still looms large," warned Gerard Lyons, chief economist at DKB International in London.

Meanwhile, the market continued to digest weak German M3 figures and comments from a Bundesbanker earlier this week. Mr Hans-Jürgen Krupp, Bundesbank council member, had argued against a rate rise. Most traders now expect the council to leave rates unchanged when it meets today after its four-week summer holiday.

As the D-Mark plunged 11 per cent against the dollar between June 6 and August 6, the Bundesbank hinted several times at a rate rise. That lifted the D-Mark against the dollar for most of the previous two weeks. Chris Furness, senior market strategist at 4Cast in London, said: "I think the market was spoofed a little bit by the Bundesbank." However, traders did not entirely relax their guard against a rate move, with a shift to a variable repo rate still thought possible.

Even the strongest German Ifo survey of business sentiment since March 1995 rallied the D-Mark only briefly. The dollar broke through technical resistance around the DM1.84 level, and closed in London at DM1.857, up 2.1 pfennigs on the day. Thanks largely to buying on dips by corporates, the dollar has this week reversed half its losses of the previous fortnight. It has risen almost 4 pfennigs since Monday, but must now break stiff resistance at DM1.8585.

Marc Chandler, senior currency economist at Deutsche Morgan Grenfell in New York, said: "We've found the bottom of the dollar's trading range against the D-Mark, just above DM1.80. Now we're trying to find the top of the range." Earlier this month the dollar's surge stopped just short of DM1.90.

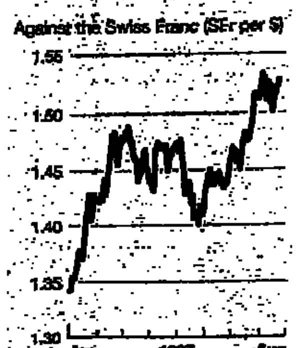
■ **Pound in New York**

Aug 20	Latest	Prev. close
£ spot	1.5935	1.6060
1 mth	1.5914	1.6038
3 mth	1.5874	1.6000
1 yr	1.5709	1.5830

■ The pound shrugged off figures showing that UK retail sales increased about as fast as expected in July, while M4 money supply grew slightly slower than expected, though still at the highest rate since 1990. Sterling fell 1.3 cents against the dollar to $1.593, but rose 0.7 pfennigs against the D-Mark to DM2.957.

Dollar

Against the Swiss Franc (SFr per $)



Source: Datastream/ICV

■ There is a dearth of new theories on currencies at the moment. In Mr Chandler's phrase, "There's not a new song people are dancing to." Perhaps that is because many of the great questions in the market have been answered for now.

Most traders can see no interest rate moves in prospect. The US and Japan appear to have rates on hold for now, with inflation absent; the Bank of England has said it has rates on hold; and prospects of a German rate rise, the main topic in the market for the last few weeks, are fading.

Secondly, there is little sign of a "trade war" between the US and Japan that could weaken the dollar. Certainly, US officials have been shaking fists at Tokyo about the rising Japanese trade surplus. However, none has threatened to use the dollar as a weapon to shrink the surplus.

Most currency strategists now believe that Tokyo is trying to keep the dollar in a range of Y110-Y120 to the yen. True or false, that belief in itself is keeping the dollar/yen rate quiescent.

The D-Mark plunged in July as the market decided that the future euro would be a weak currency. For now, however, that debate seems to have played itself out. J.P. Morgan argues that the weak euro is fully priced into the market.

The dollar is seesawing against the D-Mark, with the strong US economy driving it higher and snapping Bundesbankers occasionally sending it back down. However, for the market to find a new direction might require some news. With little economic data due out in the next few days, says Mr Chandler, "I think we're going to have some summer doldrums."

■ **OTHER CURRENCIES**

Aug 20	£	$
Czech Rp	55.3156 - 55.4170	34.7460 - 34.7900
Hungary	317.095 - 317.354	199.180 - 199.230
Iran	4778.70 - 4776.00	3000.00 - 3000.00
Kuwait	0.4856 - 0.4862	0.3050 - 0.3052
Poland	5.5855 - 5.5906	3.5085 - 3.5097
Russia	9265.44 - 9273.86	5820.00 - 5822.00
U.A.E.	5.8469 - 5.8509	3.6727 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Aug 20		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.8052	+0.0501	936 - 167	20.8217	20.7205	20.7508	3.1	20.6381	3.2	20.1326	3.2	101.8
Belgium	(BFr)	61.0705	+0.1313	214 - 196	61.1280	60.8520	60.8905	3.5	60.5205	3.6	58.7705	3.8	101.1
Denmark	(DKr)	11.2629	+0.0277	581 - 677	11.2708	11.2074	11.2314	3.4	11.1674	3.4	10.8759	3.4	103.5
Finland	(FM)	8.8243	+0.0005	178 - 307	8.8450	8.7800	8.7989	3.4	8.7464	3.5	8.5338	3.3	81.0
France	(FFr)	9.9600	+0.0237	564 - 636	9.9709	9.9165	9.927	4.0	9.87	3.6	9.5945	3.7	103.7
Germany	(DM)	2.9568	+0.0072	552 - 583	2.9605	2.9448	2.9474	3.8	2.9284	3.8	2.8415	3.9	101.8
Greece	(Dr)	462.957	+0.917	667 - 247	463.322	460.975	464.74	-4.8	467.384	-3.8	475.732	-2.8	65.1
Ireland	(I£)	1.1051	+0.0023	040 - 062	1.1069	1.1013	1.1046	0.5	1.1032	0.7	1.0923	1.2	98.5
Italy	(L)	2878.27	-1.41	627 - 028	2883.78	2868.91	2878.35	0.0	2878.32	0.0	2875.72	0.1	75.7
Luxembourg	(LFr)	61.0705	+0.1313	214 - 196	61.1280	60.6520	60.8905	3.5	60.5205	3.6	58.7705	3.8	101.1
Netherlands	(Fl)	3.3291	+0.0075	274 - 308	3.3321	3.3161	3.3189	3.7	3.298	3.7	3.202	3.8	100.5
Norway	(NKr)	12.3111	+0.028	055 - 166	12.3196	12.2286	12.2786	3.2	12.2176	3.0	11.9486	2.9	95.5
Portugal	(Es)	298.651	+0.336	487 - 816	299.837	298.387	299.495	0.6	298.965	0.9	294.877	1.6	91.9
Spain	(Pta)	249.696	+0.486	594 - 799	249.850	248.740	249.381	1.5	248.631	1.7	244.261	2.2	76.3
Sweden	(SKr)	12.8572	-0.0979	476 - 668	12.9443	12.8177	12.8297	2.6	12.7712	2.7	12.5147	2.7	84.7
Switzerland	(SFr)	2.4311	-0.0009	297 - 324	2.4378	2.4226	2.4202	5.4	2.3976	5.5	2.2973	5.5	105.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	102.3
Ecu	-	1.5021	+0.0027	009 - 033	1.5047	1.4951	1.4988	2.6	1.4916	2.8	1.4576	3.0	-
SDR†	-	1.186320	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5922	-0.0137	917 - 926	1.6035	1.5894	-	-	-	-	-	-	-
Brazil	(R$)	1.7336	-0.016	329 - 343	1.7457	1.7305	-	-	-	-	-	-	-
Canada	(C$)	2.2185	-0.0186	175 - 195	2.2363	2.2160	2.2117	3.7	2.198	3.7	2.1471	3.2	84.4
Mexico	(New Peso)	12.3698	-0.0947	538 - 657	12.4351	12.3393	-	-	-	-	-	-	-
USA	($)	1.5925	-0.0137	920 - 929	1.6038	1.5897	1.5904	1.6	1.5863	1.5	1.5696	1.4	106.5
Pacific/Middle East/Africa													
Australia	(A$)	2.1455	-0.0273	441 - 468	2.1600	2.1407	2.1419	2.0	2.1335	2.2	2.0968	2.3	94.2
Hong Kong	(HK$)	12.3272	-0.104	229 - 314	12.4134	12.3071	12.3282	0.1	12.3197	0.2	12.2847	0.5	-
India	(Rs)	57.2305	-0.0689	324 - 001	57.7040	57.1760	57.4757	-4.1	57.8763	-4.2	59.556	-4.0	-
Israel	(Shk)	5.6328	-0.0419	241 - 414	5.6430	5.6230	-	-	-	-	-	-	-
Japan	(Y)	188.068	-1.777	936 - 201	190.130	187.180	187.048	6.5	185.023	6.5	176.038	6.4	132.5
Malaysia	(M$)	4.4223	-0.0486	170 - 275	4.4629	4.4154	4.4265	-1.2	4.4345	-1.1	4.4532	-0.7	-
New Zealand	(NZ$)	2.4861	-0.0156	840 - 881	2.5058	2.4837	2.4893	-1.5	2.4931	-1.1	2.4937	-0.3	107.8
Philippines	(Peso)	47.7736	-0.814	008 - 463	49.2807	47.5932	47.8335	-4.0	48.1829	-3.4	49.2399	-3.1	-
Saudi Arabia	(SR)	5.9727	-0.0516	708 - 746	6.0151	5.9626	5.9692	0.7	5.9607	0.8	5.9243	0.8	-
Singapore	(S$)	2.3991	-0.029	976 - 005	2.4258	2.3928	2.3944	2.3	2.3844	2.5	2.3362	2.6	-
South Africa	(R)	7.5626	+0.0151	580 - 671	7.5880	7.5170	7.6238	-9.6	7.7412	-9.4	8.1782	-8.1	-
South Korea	(Won)	1431.61	-10.75	802 - 520	1441.55	1427.32	-	-	-	-	-	-	-
Taiwan	(T$)	45.7464	-0.3949	538 - 389	47.5936	45.6308	45.7298	0.4	45.69	0.5	45.4924	0.6	-
Thailand	(Bt)	51.9139	-0.6069	400 - 878	52.5290	49.8700	52.2505	-7.8	52.7121	-6.2	53.7423	-3.5	-

† Rates for Aug 19. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 20		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	13.0649	+0.143	613 - 684	13.0690	12.9529	13.0409	2.2	12.9919	2.2	12.7679	2.3	101.6
Belgium	(BFr)	38.3500	+0.41	300 - 700	38.3800	37.9550	38.275	2.3	38.1235	2.4	37.43	2.4	101.4
Denmark	(DKr)	7.0727	+0.0778	717 - 737	7.0739	7.0130	7.061	2.0	7.0367	2.0	6.9303	2.0	102.9
Finland	(FM)	5.5413	+0.0477	388 - 438	5.5445	5.4894	5.5297	2.5	5.5061	2.5	5.4123	2.3	80.3
France	(FFr)	6.2545	+0.0683	540 - 550	6.2557	6.2030	6.243	2.2	6.2191	2.3	6.1103	2.3	103.3
Germany	(DM)	1.8568	+0.0204	563 - 572	1.8573	1.8413	1.853	2.5	1.8452	2.5	1.8102	2.5	101.6
Greece	(Dr)	290.720	+3.06	620 - 820	290.870	286.180	292.015	-5.3	294.07	-4.6	301.22	-3.6	64.9
Ireland	(I£)	1.4410	-0.0155	400 - 420	1.4535	1.4390	1.4403	0.6	1.4393	0.5	1.4397	0.1	-
Italy	(L)	1807.45	+14.6	670 - 820	1809.30	1795.99	1809.22	-1.2	1812.23	-1.1	1815.65	-0.5	75.4
Luxembourg	(LFr)	38.3500	+0.41	300 - 700	38.3800	37.9550	38.275	2.3	38.1235	2.4	37.43	2.4	101.4
Netherlands	(Fl)	2.0908	+0.0226	901 - 910	2.0912	2.0733	2.0863	2.4	2.0776	2.4	2.0401	2.4	100.6
Norway	(NKr)	7.7309	+0.0836	296 - 322	7.7329	7.6512	7.7165	2.2	7.688	2.2	7.5763	2.0	95.0
Portugal	(Es)	188.170	+1.82	120 - 220	188.230	186.590	188.133	0.2	188.08	0.2	186.91	0.7	92.4
Spain	(Pta)	156.800	+1.645	780 - 820	156.830	155.600	156.755	0.3	156.58	0.6	155.405	0.9	76.0
Sweden	(SKr)	8.0739	+0.0082	701 - 776	8.0950	8.0652	8.0648	1.3	8.0455	1.4	7.9715	1.3	84.0
Switzerland	(SFr)	1.5266	+0.0125	262 - 270	1.5280	1.5148	1.5212	4.2	1.5106	4.2	1.4651	4.0	104.7
UK	(£)	1.5925	-0.0137	920 - 929	1.6038	1.5897	1.5904	1.6	1.5863	1.5	1.5696	1.4	102.3
Ecu	-	1.0602	-0.0111	596 - 607	1.0688	1.0593	1.0616	-1.6	1.0649	-1.8	1.0804	-1.9	-
SDR†	-	0.73790	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0887	-0.0006	885 - 888	1.0893	1.0885	-	-	-	-	-	-	-
Canada	(C$)	1.3932	+0.0004	929 - 934	1.3950	1.3926	1.3901	2.7	1.3843	2.5	1.3638	2.1	84.2
Mexico	(New Peso)	7.7615	+0.0075	600 - 630	7.7640	7.7590	7.87	-16.8	8.081	-16.5	8.9915	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	107.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3473	-0.0054	468 - 477	1.3486	1.3465	1.3467	0.5	1.3449	0.7	1.3365	0.8	95.2
Hong Kong	(HK$)	7.7410	+0.0015	405 - 415	7.7496	7.7390	7.7415	-0.1	7.7424	-0.1	7.7447	0.0	-
India	(Rs)	35.9700	+0.265	500 - 900	35.9950	35.7400	35.1075	-4.3	35.3925	-4.5	35.605	-4.3	-
Israel	(Shk)	3.5372	+0.0042	327 - 416	3.5483	3.5311	-	-	-	-	-	-	-
Japan	(Y)	118.100	-0.095	050 - 150	118.560	117.540	117.585	5.2	116.585	5.1	112.285	4.9	132.9
Malaysia	(M$)	2.7770	-0.0065	745 - 795	2.7832	2.7680	2.7815	-1.9	2.7905	-1.9	2.8205	-1.6	-
New Zealand	(NZ$)	1.5612	+0.0037	603 - 620	1.5624	1.5600	1.562	-0.6	1.5644	-0.8	1.5745	-0.9	-
Philippines	(Peso)	30.0000	-0.25	000 - 000	31.0000	29.8000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	+0.0001	505 - 508	3.7509	3.7503	3.7514	-0.2	3.7524	-0.2	3.7571	-0.2	-
Singapore	(S$)	1.5065	-0.0052	060 - 070	1.5135	1.5030	1.5048	1.4	1.501	1.5	1.4815	1.7	-
South Africa	(R)	4.7490	+0.05	475 - 505	4.7580	4.6990	4.7895	-10.2	4.869	-10.1	5.1715	-8.9	-
South Korea	(Won)	899.000	+1	000 - 000	901.300	896.400	-	-	-	-	-	-	-
Taiwan	(T$)	28.7270	-	770 - 770	29.8000	28.6670	28.738	-0.5	28.747	-0.3	28.8395	-0.4	-
Thailand	(Bt)	32.6000	-0.1	000 - 000	32.9500	31.2000	33.045	-16.4	33.75	-14.1	34.98	-7.3	-

† SDR rate per $ for Aug 19. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 19: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

August 20	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	3½	[illegible]	[illegible]	3¾	6.00	2.50	-
France	[illegible]	3¼	[illegible]	[illegible]	[illegible]	3.10	-	4.75
Germany	3¼	[illegible]	3¼	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	6¼	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	6¾	6¾	[illegible]	[illegible]	[illegible]	7.75	6.25	6.17
Netherlands	[illegible]	[illegible]	[illegible]	3½	[illegible]	-	2.50	3.00
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	5½	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.43	5.46	5.52	5.68	-	-	-
ECU Linked Ds	-	[illegible]	4¼	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 20	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	3⅛ - [illegible]	3⅛ - 3	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	3 - 2⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	3½ - [illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	5½ - 5½	5½ - [illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	5½ - [illegible]	[illegible] - 5¼	[illegible] - 5¼	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	7¼ - [illegible]	7⅜ - 7¼	[illegible]
Swiss Franc	1⅛ - ⅝	[illegible]	[illegible]	1½ - 1¼	[illegible]	[illegible]
Canadian Dollar	3¼ - [illegible]	3⅜ - 3¼	[illegible]	[illegible]	3⅞ - 3⅝	[illegible]
US Dollar	5½ - 5⅜	[illegible]	5⅝ - [illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	6⅞ - [illegible]	6¾ - [illegible]	[illegible] - 6½
Japanese Yen	½ - [illegible]	[illegible] - ½	[illegible]	½ - [illegible]	½ - [illegible]	[illegible]
Asian $Sing	2⅛ - 2	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	4 - 3⅞	4 - 3⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.53	96.53	-0.01	96.54	96.51	7,768	65,934
Dec	96.39	96.36	-0.04	96.40	96.34	14,466	37,599
Mar	96.26	96.25	-0.03	96.27	96.23	6,615	31,528

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Oct	96.58	96.57	-0.03	96.58	96.58	100	1787
Dec	96.49	96.44	-0.06	96.49	96.41	43723	291250
Mar	96.37	96.31	-0.08	96.37	96.28	37408	280699
Jun	96.16	96.09	-0.09	96.17	96.07	46232	206562

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		96.73	-0.03			0	348
Oct		96.65	-0.04			0	265
Nov		96.60	-0.05			0	60
Dec		96.41	-0.04			0	700

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.25	93.29	+0.04	93.29	93.24	9643	99012
Dec	93.61	93.69	+0.07	93.70	93.60	26950	93453
Mar	93.94	93.99	+0.05	94.01	93.94	9560	53452
Jun	94.17	94.21	+0.04	94.26	94.17	5723	44324

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.47	98.46	-	98.50	98.44	2192	61262
Dec	98.24	98.24	+0.01	98.27	98.20	7216	52148
Mar	98.11	98.12	+0.02	98.14	98.06	2220	27246
Jun	97.94	97.94	+0.01	97.94	97.88	799	8371

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		99.44	-			0	n/a
Dec	99.40	99.39	-	99.40	99.40	43	n/a
Mar	99.30	99.30	+0.01	99.30	99.30	43	n/a

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.64	95.62	-0.02	95.64	95.61	1117	10575
Dec	95.56	95.54	-0.03	95.56	95.54	792	9669
Mar	95.53	95.52	-0.02	95.54	95.51	307	5977
Jun	95.48	95.45	-0.03	95.48	95.44	82	3396

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9325	0.09	0.50	0.83	0.05	0.06	0.09
9350	0.01	0.31	0.61	0.22	0.12	0.12
9375	0	0.15	0.43	0.46	0.21	0.19

Est. vol. total, Calls 1996 Puts 454. Previous day's open int., Calls 137293 Puts 63675

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 20		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.31	4.842	1.810	4713	5.451	20.16	490.7	408.9	21.05	3.961	1.637	3.633	2.608	306.0	2.460
Denmark	(DKr)	54.22	10	8.843	2.625	0.981	2556	2.956	10.93	266.1	221.7	11.42	2.158	0.888	1.970	1.414	167.0	1.334
France	(FFr)	61.32	11.31	10	2.969	1.110	2890	3.343	12.36	300.9	250.7	12.91	2.441	1.004	2.228	1.599	188.8	1.506
Germany	(DM)	20.65	3.809	3.368	1	0.374	973.4	1.126	4.164	101.3	84.45	4.348	0.822	0.338	0.750	0.538	63.60	0.508
Ireland	(I£)	55.26	10.19	9.013	2.676	1	2605	3.013	11.14	271.2	225.9	11.63	2.200	0.905	2.008	1.441	170.2	1.359
Italy	(L)	2.122	0.391	0.346	0.103	0.038	100	0.116	0.428	10.41	8.675	0.447	0.084	0.035	0.077	0.055	6.535	0.052
Netherlands	(Fl)	18.34	3.383	2.992	0.888	0.332	864.5	1	3.698	90.01	75.00	3.862	0.730	0.300	0.666	0.478	56.49	0.451
Norway	(NKr)	49.61	9.149	8.090	2.402	0.898	2338	2.704	10	243.4	202.8	10.44	1.975	0.812	1.802	1.294	152.8	1.220
Portugal	(Es)	20.38	3.759	3.324	0.987	0.369	960.5	1.111	4.108	100	83.33	4.291	0.811	0.334	0.740	0.531	62.78	0.501
Spain	(Pta)	24.46	4.511	3.989	1.184	0.443	1153	1.333	4.930	120.0	100	5.149	0.974	0.400	0.889	0.638	75.32	0.602
Sweden	(SKr)	47.50	8.760	7.747	2.300	0.860	2239	2.589	9.575	233.1	194.2	10	1.891	0.778	1.726	1.239	146.3	1.168
Switzerland	(SFr)	25.12	4.633	4.097	1.216	0.455	1184	1.369	5.064	123.3	102.7	5.289	1	0.411	0.913	0.655	77.36	0.618
UK	(£)	61.07	11.26	9.960	2.957	1.105	2878	3.329	12.31	299.7	249.7	12.86	2.431	1	2.219	1.593	188.1	1.502
Canada	(C$)	27.53	5.077	4.489	1.333	0.498	1297	1.501	5.549	135.1	112.5	5.795	1.096	0.451	1	0.718	84.77	0.677
USA	($)	38.35	7.073	6.255	1.857	0.694	1807	2.091	7.731	188.2	156.8	8.074	1.527	0.628	1.393	1	118.1	0.943
Japan	(Y)	32.47	5.989	5.296	1.572	0.588	1530	1.770	6.546	159.3	132.8	6.837	1.293	0.532	1.180	0.847	100	0.799
Ecu	-	40.66	7.498	6.631	1.969	0.736	1916	2.216	8.196	199.5	166.2	8.560	1.619	0.666	1.477	1.060	125.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5450	0.5395	-0.0054	0.5450	0.5395	25,098	98,774
Dec	0.5458	0.5425	-0.0056	0.5458	0.5425	816	4,503
Mar	0.5468	0.5468	-0.0044	0.5468	0.5468	56	1,328

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8495	0.8523	+0.0029	0.8533	0.8462	9,808	78,278
Dec	0.8605	0.8636	+0.0031	0.8637	0.8605	198	2,451
Mar	-	0.8750	+0.0030	0.8750	0.8730	27	531

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6624	0.6570	-0.0054	0.6626	0.6566	8,207	51,224
Dec	0.6660	0.6638	-0.0055	0.6660	0.6638	161	2,501
Mar	-	0.6720	-0.0042	-	0.6720	7	1,057

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.6034	1.5940	-0.0094	1.6044	1.5892	3,837	48,462
Dec	1.6020	1.5830	-0.0150	1.5920	1.5830	117	1,102
Mar	-	1.5800	-0.0116	-	1.5780	6	208

UK INTEREST RATES

LONDON MONEY RATES

Aug 20	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7¼ - 6¾	[illegible]	[illegible]	7¼ - 7⅛	7⅜ - 7¼	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	7¼ - [illegible]	[illegible]
Treasury Bills	-	-	[illegible]	7 - 6⅞	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	7 - 6¾	7 - 6¾	[illegible]	[illegible]	[illegible] - 7¼	[illegible] - 7⅜
Discount Market deps	7 - 6⅞	6⅞ - 6¾	-	-	-	-

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Aug 15, 6.7810pc. ECGD fixed rate Stg. Export Finance. Make up day Jul 31, 1997. Agreed rate for period Aug 26, 1997 to Sep 23, 1997, Scheme III 8.27pc. Reference rate for period Jul 1, 1997 to Jul 31, 1997; Schemes IV & V 7.035pc. Finance House Base Rate 7pc from Aug 1, 1997

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.75	92.75	+0.01	92.76	92.74	9785	108457
Dec	92.60	92.62	+0.01	92.63	92.60	19126	122790
Mar	92.55	92.58	+0.02	92.60	92.55	13402	99513
Jun	92.56	92.59	+0.02	92.60	92.56	10519	69744
Sep	92.61	92.64	+0.03	92.65	92.60	4287	55610

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9275	0.04	0.06	0.09	0.04	0.19	0.26
9300	0	0.01	0.04	0.25	0.39	0.46
9325	0	0	0.01	0.50	0.63	0.68

Est. vol. total, Calls 2327 Puts 5251. Previous day's open int., Calls 197478 Puts 206950

EMS EUROPEAN CURRENCY UNIT RATES

Aug 20	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Finland	5.85424	5.90117	-0.00782	0.80	2.19	-5
Italy	1906.48	1924.86	-1.71	0.96	2.03	-7
Ireland	0.798709	0.740019	+0.001612	-7.35	11.18	50
Portugal	197.398	200.140	-0.143	1.39	1.60	-9
Spain	163.826	166.849	+0.038	1.85	1.15	-13
Denmark	7.34555	7.52301	+0.00256	2.42	0.58	-17
Netherlands	2.16979	2.22391	+0.00051	2.49	0.51	-19
Germany	1.92573	1.97503	+0.00041	2.56	0.44	-25
Austria	13.5485	13.8972	+0.0033	2.57	0.43	-19
Belgium	39.7191	40.7834	+0.0095	2.68	0.33	-20
France	6.45863	6.65326	+0.00116	3.01	0.00	-25
NON ERM MEMBERS						
Greece	295.269	309.174	-0.152	4.71	-1.62	-
UK	0.793103	0.669404	-0.000559	-15.60	22.05	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
1.600	1.85	2.51	3.18	1.37	2.23	3.07
1.610	1.36	2.07	2.71	1.88	2.71	3.61
1.620	0.97	1.66	2.35	2.51	3.30	4.20

Previous day's vol., Calls n/a Puts n/a. Prev. day's open int., Calls n/a Puts n/a

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
0.535	1.23	1.54	-	0.30	0.49	0.71
0.540	0.90	1.23	1.53	0.45	0.68	0.90
0.545	0.62	0.95	1.26	0.67	0.91	1.13

Previous day's vol., Calls n/a Puts n/a. Prev. day's open int., Calls n/a Puts n/a

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.29	94.27	-0.01	94.29	94.27	43,307	499,084
Dec	94.15	94.11	-0.03	94.15	94.11	80,854	483,232
Mar	94.10	94.06	-0.03	94.10	94.05	87,316	342,993

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.93	94.93	-0.01	94.93	94.93	162	7,632
Dec	94.86	94.83	-0.02	94.86	94.83	88	2,074
Mar	-	94.79	-0.03	-	94.79	69	1,026

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
9625	0.39	0.23	0.24	0.25	0	0.04	0.05	0.06
9650	0.16	0.06	0.07	0.09	0.02	0.12	0.13	0.15
9675	0.01	0.01	0.02	0.01	0.12	0.32	0.33	0.32
9700	0	0	0	0	0.36	0.56	0.56	0.56
9725	0	0	0	0	0.61	0.81	0.81	0.81

Est. vol. total, Calls 2155 Puts 1894. Previous day's open int., Calls 367632 Puts 266877

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9850	0.07	0.08	0.11	0.11	0.34	0.49
9875	0.01	0.03	0.05	0.30	0.54	0.68

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 4527 Puts 3830

BASE LENDING RATES

	%		%		%
Adam & Company	7.00	Duncan Lawrie	7.00	Scottish Widows Bank	7.00
Allied Irish Bank (GB)	7.00	Exeter Bank Limited	8.00	●Singer & Friedlander	7.00
●Henry Ansbacher	7.00	Financial & Gen Bank	8.00	●Smith & Williamson Secs	7.00
Bank of Baroda	7.00	●Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
Banco Bilbao Vizcaya	7.00	●Guinness Mahon	7.00	TSB	7.00
Bank of Cyprus	7.00	Habib Bank AG Zurich	7.00	United Bank of Kuwait	7.00
Bank of Ireland	7.00	●Hambros Bank	7.00	Unity Trust Bank Plc	7.00
Bank of India	7.00	Heritable & Gen Inv Bk.	7.00	Western Trust	8.50
Bank of Scotland	7.00	C. Hoare & Co	7.00	Whiteaway Laidlaw	7.00
Barclays Bank	7.00	Hongkong & Shanghai	7.00	Yorkshire Bank	7.00
Brit Bk of Mid East	7.00	Investec Bank (UK) Ltd	7.00		
●Brown Shipley & Co Ltd	7.00	Julian Hodge Bank	7.00	● Members of London Investment Banking Association	
Citibank NA	7.00	●Leopold Joseph & Sons	7.00		
Clydesdale Bank	7.00	Lloyds Bank	7.00	* In administration	
The Co-operative Bank	7.00	Midland Bank	7.00		
Coutts & Co	7.00	NatWestminster	7.00		
Cyprus Popular Bank	7.00	●Rea Brothers	7.00		
		Royal Bk of Scotland	7.00		

COMMODITIES AND AGRICULTURE

India leads jump in gold demand

By Kenneth Gooding, Mining Correspondent

A surge in gold buying in India, already the world's biggest market for the precious metal, helped demand in markets monitored by the World Gold Council reach record levels in the first half of 1997.

The WGC, a promotional organisation funded by gold producers, covers countries accounting for about 80 per cent of global gold demand. In those markets, demand reached a record 723 tonnes in the second quarter, up 11 per cent on the same months of 1996.

As this followed the highest quarterly demand ever recorded in the first quarter, the six-month total was 14 per cent ahead of the 1996 level at a record 1,493 tonnes.

George Milling-Stanley, manager of gold market analysis for the WGC, said demand had remained strong at the beginning of the third quarter and this "provides optimism about prospects for the year as a whole".

Antitrust considerations prevent the WGC from covering production statistics.

The council's latest Gold Demand Trends publication shows that India's gold consumption in the second quarter rose to a record for any quarter at 181.9 tonnes. That represented a 36 per cent increase from the period last year, and an 11 per cent rise from the previous record of 163.6 tonnes, set in the first quarter of this year.

Demand in India was boosted by a lower US dollar price for gold – which fell to a 12-year low in June – and a fall in the premium charged for gold in India, from an average of 20 per cent above the international price to 15½ per cent by the end of June.

This narrowing of the domestic price premium followed the gradual liberalisation of gold imports by the Indian government, said Mr Milling-Stanley.

Confidence in the Indian market was also being boosted by a 10th consecutive favourable monsoon season, he said, which is expected to lead to another good harvest. "Increasing incomes are more important than falling prices in many developing countries," explained Mr Milling-Stanley.

However, falling prices caused demand to falter in China, the third most important gold market behind India and the US.

"There was evidence of a 'wait-and-see' approach by some consumers, who felt that the falling international price might bring another downward adjustment in the officially regulated prices set by China's central bank," said Mr Milling-Stanley.

Second-quarter demand in China was 7 per cent down at 54.3 tonnes, and the first half total was down 6 per cent at 110.1 tonnes.

Gold demand in the US reached a second-quarter record of 74.2 tonnes, although it was only 1 per cent above the same months of last year.

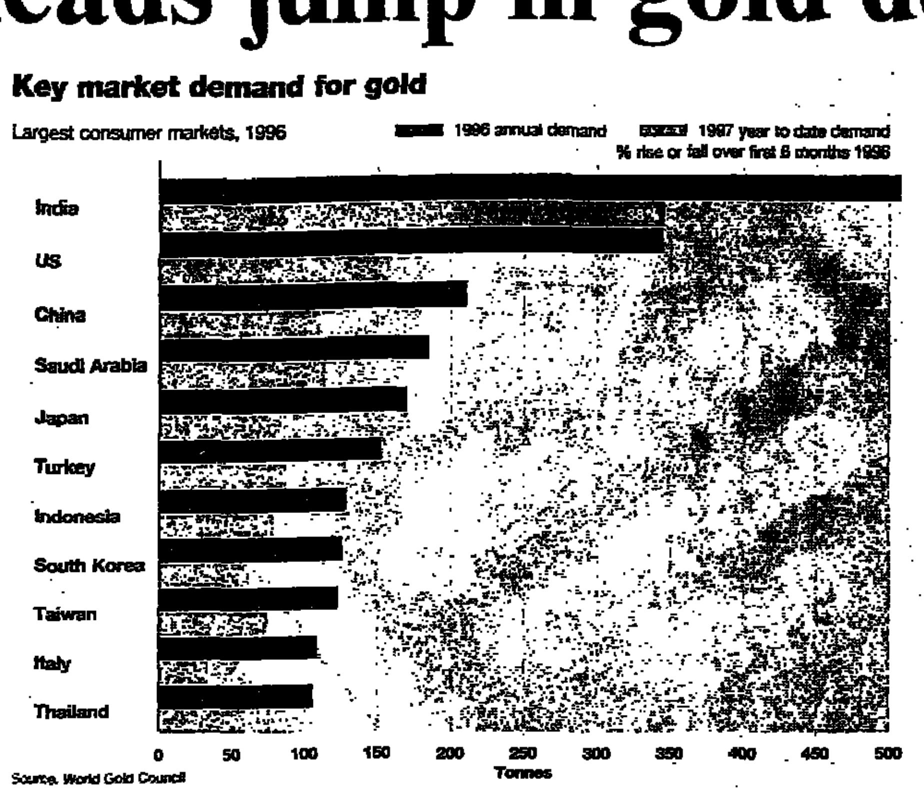
"There were signs that the rapid pace of growth seen in recent years might be slowing," said Mr Milling-Stanley. Six-month demand in the US was up 5 per cent to 157.8 tonnes.

Gold in jewellery sold in the US, which had shown 22 consecutive quarters of growth, was marginally lower in the second quarter. This was offset by a pick-up in the bullion coin market as retailers stocked up at the lower gold prices.

In Japan, gold demand fell 19 per cent in the second quarter to 38.2 tonnes, and by 14½ per cent to 83.8 tonnes in the first half.

Demand in Europe was about the same at 58.4 tonnes in the second quarter and at 112 tonnes in the first half. Demand was down in Italy and France but up in Germany and the UK.

Key market demand for gold



Source: World Gold Council

Australia shifts to higher ore grades

By Elizabeth Robinson in Sydney

Australian gold producers are responding to lower gold prices by shifting away from high-cost operations, according to Surbiton Associates, the Melbourne-based mining consultancy.

Sandra Close, who heads the consultancy, said: "If the price goes down, you have got to look at costs." The gold price fell from US$389.75 an ounce last August to US$334.6 on June 30.

The quarter to June showed a turnround in costs, Ms Close said. "The average weighted cash cost [of production in Australia] has been going up slowly, but in June for the first time it has turned around." It fell to A$355 an ounce, down A$21 compared with the March quarter, she said.

Miners are cutting costs by moving to higher ore grades, according to the consultancy. It said there was a substantial rise in weighted average ore grades in the June quarter to just over two grammes a tonne, following several quarters when grades rose only slightly.

The Chalice mine, owned 70 per cent by Resolute and 15 per cent each by Geographe Resources and General Gold resources, was the lowest cash cost producer in the June quarter at A$183 an ounce, down from A$255 in the March quarter.

"This is the lowest I've seen in many quarters," said Ms Close, and was achieved because of the treatment of much higher grade ore.

The disadvantage of mining higher grade ore is that ore reserves are reduced and more lower grade is left in the ground. Some mines are more flexible than others, as some ore bodies have higher concentrations.

"I expect the effects of lower gold prices will be more readily seen in the September quarter, but the indications seem pretty clear - more high cash-cost operations will close," said Ms Close.

Sons of Gwalia, the Australian producer, said earlier this week it would close two gold operations and phase out another mine over the next six months.

The June quarter also saw Australian production of gold hit a record 79.4 tonnes, lifting production for the year by 25 tonnes, or 9 per cent.

The top producer was Super Pit, owned by Normandy and Homestake Gold, which produced 704,000 ounces.

Oil little changed by stocks report

MARKETS REPORT

By Robert Corzine and Kenneth Gooding

Crude oil prices were generally flat yesterday as new data on petroleum inventory levels in US failed to make much of an impact.

Brent Blend for October delivery was quoted at $19.06 a barrel in late trading on London's International Petroleum Exchange, one cent off Tuesday's close.

US government statistics showed that gasoline stocks – a driving force behind the market over the past few weeks – fell by 2.9m barrels to 186.2m barrels.

That bullish development was offset, however, by figures which showed crude oil stocks up by 600,000 barrels and a rise in distillate stocks of 2.5m barrels.

Some traders said the subdued reaction to the data showed the impact of strong seasonal demand for gasoline in the US was fading.

The government data also showed that refinery utilisation in the US continues to grow. It reached 98.8 per cent last week, up from 97.1 per cent a week earlier.

With such high utilisation rates, refinery breakdowns or accidents can have an exaggerated, although generally fleeting effect, on oil prices, say analysts.

On the London Metal Exchange, copper again moved into backwardation (where there is a premium for immediate delivery) after less than a week in contango (where prices for future delivery are higher than the spot price). The backwardation was a modest $4 a tonne against a $6 contango on Tuesday.

In the zinc market, the backwardation increased to $175 a tonne and the price for three-month delivery rose $27 a tonne to $1,504.

Indonesian coffee farmers hit by drought

By Gary Mead

Indonesia's coffee plantations are suffering from a severe lack of rainfall and some traders are alarmed that the 1997-98 crop could be as much as 40 per cent lower than that of 1996-97.

The International Coffee Organisation currently estimates that Indonesia – which has a crop year running from April to March – will produce some 7.8m 60kg bags of coffee this season, against an estimated crop of 6.2m to 6.8m bags for 1996-97.

"We know there is a severe drought there and this will undoubtedly affect this year's crop. However, unlike frost, lack of rain is a short-term problem and coffee trees can quickly recover in the next year," said Pablo Dubois, the ICO head of operations.

Indonesia is the world's largest producer of robusta beans, which processors largely use for blends of instant coffee.

The drought in the country is increasingly being seen as being caused by the developing El Niño weather system, in which a warming of the Pacific Ocean interacts with the atmosphere to produce abnormally dry conditions in the southern hemisphere.

Indonesian coffee farmers say that there is an urgent need for some rainfall by early September, so the coffee cherries will be able to ripen properly.

Earlier this year meteorologists began to argue that this latest El Niño would be the most serious since 1982-83 – when damage to crops and livelihoods was estimated at $13.6bn, largely in the southern hemisphere – and perhaps the worst this century.

In the past two weeks several other warnings have been voiced concerning various commodities being hit by suspected weather conditions related to El Niño, including:

- Australia's Wool Production Forecasting Committee may today downgrade its 1997-98 forecasts for wool production from drought-affected south and eastern Australia, where the abnormally low rainfall is now expected to linger through the rest of the year;
- in the Philippines, specialists said this week the country's rice harvests may be reduced in the second half of the year;
- in China, drought in the northern part of the country continues to affect 20m hectares of arable land. According to the Xinhua news agency at the end of July, the northern province of Hebei is experiencing its most severe drought in 40 years, and some 200,000 hectares of the province's farmland will produce nothing this year;
- Colombian coffee-growers fear that their 1997–98 crop might be damaged. Attention is focused on the Valle de Cauca province in the south-west part of the country, where there has been no rainfall for the past month; some 10 per cent of the national coffee harvest comes from the province.

However, El Niño is said to be creating opportunities as well as havoc.

In Zimbabwe, National Food, the country's largest milling company, has seen its share price rise since the end of June from the equivalent of 41 US cents to 69 cents this week, entirely due to fears over El Niño, according to Christopher Hartland-Peel, an African equities specialist with Standard Bank.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1664-6	1629-30
Previous	1673-76	1635-35.5
High/low		1636/1608
AM Official	1653-54	1615-15.5
Kerb close		1632-3
Open int.	254,619	
Total daily turnover	147,766	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1435-45	1465-70
Previous	1445-55	1475-80
High/low		1460/1460
AM Official	1430-40	1460-65
Kerb close		1465-70
Open int.	5,153	
Total daily turnover	1,437	

■ LEAD ($ per tonne)

Close	592-3	606.5-7.0
Previous	589-90	602-03
High/low		610/607
AM Official	596-96.5	609-09.5
Kerb close		607-8
Open int.	34,284	
Total daily turnover	9,608	

■ NICKEL ($ per tonne)

Close	6665-75	6765-75
Previous	6590-600	6690-700
High/low		6810/6715
AM Official	6636-37	6745-50
Kerb close		6800-10
Open int.	54,433	
Total daily turnover	12,171	

■ TIN ($ per tonne)

Close	5340-45	5390-95
Previous	5335-40	5385-90
High/low		5400/5375
AM Official	5340-45	5390-95
Kerb close		5380-85
Open int.	15,629	
Total daily turnover	3,926	

■ ZINC, special high grade ($ per tonne)

Close	1674-7	1500-02
Previous	1625-30	1472-74
High/low	1677/1670	1505/1480
AM Official	1675-77	1497-98
Kerb close		1504-5
Open int.	88,447	
Total daily turnover	22,382	

■ COPPER, grade A ($ per tonne)

Close	2180-82	2177-8
Previous	2138.5-41.5	2144.5-45.5
High/low	2187	2186/2155
AM Official	2187-88	2186-87
Kerb close		2177-8
Open int.	139,659	
Total daily turnover	64,583	

■ LME AM Official £/$ rate: 1.5943
LME Closing £/$ rate: 1.5925

Spot: 1.5925 3 mths: 1.5866 6 mths: 1.5792 9 mths: 1.5736

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	98.10	+0.50	99.00	97.50	622	1,319
Sep	98.15	+0.30	99.60	97.70	4,881	19,422
Oct	98.45	+0.30	99.70	98.30	198	1,836
Nov	98.15	+0.20	99.70	98.30	28	1,482
Dec	98.15	+0.10	99.50	98.00	1,854	11,016
Jan	98.15	-0.10	99.30	98.50	59	723
Total					8,217	45,321

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	322.00-322.50		
Opening	322.60-322.90		
Morning fix	322.00	201.729	491.243
Afternoon fix	322.05	202.331	490.804
Day's High	322.60-322.90		
Day's Low	321.45-321.75		
Previous close	322.60-323.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....2.99 6 months 3.11
2 months ....3.16 12 months 3.41
3 months 3.23

Silver Fix	p/troy oz.	US cts equiv.
Spot	282.40	451.00
3 months	286.70	456.10
6 months	291.00	461.20
1 year	299.95	472.15

Gold Coins	$ price	£ equiv.
Krugerrand	319-321	200-202
Maple Leaf	-	-
New Sovereign	75-77	47-49

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	321.3	-1.7	322.5	322.0	12	348
Sep	321.9	-1.8	-	-	1	2
Oct	322.9	-1.8	324.4	322.1	343	18,062
Dec	324.7	-1.8	326.5	323.9	16,535	114,9k
Feb	326.4	-1.8	327.5	325.6	94	14,342
Apr	328.1	-1.9	329.3	329.1	284	5,371
Total					18,181	201,656

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	410.4	+2.4	411.5	402.0	1,758	10,827
Jan	405.4	+3.4	405.0	397.5	50	2,596
Apr	399.9	+3.4	402.0	395.0	17	419
Jul	395.9	+3.4	395.0	395.0	1	1
Total					1,825	13,843

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	203.15	+5.65	204.00	188.50	576	2,373
Dec	200.65	+6.15	202.00	185.50	177	2,008
Mar	198.65	+6.15	-	-	41	160
Jun	198.15	+6.15	-	-	-	107
Total					794	4,648

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	448.1	-2.1	-	-	37	24
Sep	449.0	-2.2	452.0	442.5	8,088	43,264
Dec	455.7	-2.1	458.0	449.5	1,394	24,296
Jan	457.3	-2.1	-	-	2	22
Mar	462.2	-2.1	461.0	460.0	44	10,666
May	466.3	-2.1	-	-	10	3,076
Total					9,680	88,932

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	20.04	-0.08	20.25	19.88	34,960	26,942
Oct	20.27	-0.06	20.46	20.10	44,587	109.2k
Nov	20.38	-0.03	20.55	20.27	6,798	44,918
Dec	20.42	-0.03	20.55	20.30	6,542	50,207
Jan	20.39	-0.06	20.58	20.32	1,426	30,845
Feb	20.42	-0.02	20.45	19.70	617	14,713
Total					96,159	435,719

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	19.05	-0.02	19.22	18.97	12,590	84,822
Nov	19.12	-0.04	19.29	19.08	3,653	19,979
Dec	19.21	-0.04	19.35	19.16	1,647	19,978
Jan	19.24	-0.03	19.36	19.19	523	15,775
Feb	19.20	-0.02	19.29	19.16	235	6,919
Mar	18.99	-	-	-	707	2,600
Total					n/a	n/a

■ *HEATING OIL NYMEX (42,000 US galls.; c/US galls.)*

	Latest price	Day's change	High	Low	Vol	Open int
Sep	55.40	-0.31	55.90	55.10	11,042	30,822
Oct	56.30	-0.20	56.65	56.00	7,290	33,807
Nov	57.25	-0.05	57.50	57.00	905	19,138
Dec	58.00	-0.10	58.35	57.80	2,616	20,516
Jan	58.55	-0.15	58.90	58.40	1,195	15,427
Feb	58.65	-0.10	58.80	58.55	1,589	8,791
Total					25,557	147,223

■ GAS OIL IPE ($/tonne)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	171.25	-0.50	172.25	171.25	6,353	23,481
Oct	173.25	-0.50	174.25	173.25	3,870	14,952
Nov	175.00	-0.50	175.75	174.75	455	7,756
Dec	176.25	-0.75	177.25	176.25	544	13,784
Jan	176.75	-0.75	177.75	177.00	135	8,129
Feb	176.50	-0.50	176.50	176.50	75	4,989
Total					11,668	81,600

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Sep	8.940	-0.010	8.940	8.940	5	785
Oct	10.700	-0.050	10.710	10.700	100	1,220
Total					540	8,945

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	2.445	-0.083	2.577	2.430	30,474	40,326
Oct	2.485	-0.047	2.579	2.450	15,211	44,749
Nov	2.610	-0.052	2.705	2.590	3,477	17,540
Dec	2.735	-0.057	2.830	2.720	7,224	18,916
Jan	2.740	-0.057	2.840	2.730	3,934	18,209
Feb	2.555	-0.045	2.630	2.550	1,858	13,825
Total					66,650	224,920

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	69.10	+1.52	69.30	67.40	19,308	34,509
Oct	61.70	+0.64	61.80	60.90	10,202	28,860
Nov	58.95	+0.14	59.20	58.50	1,876	11,162
Dec	57.90	-0.15	58.30	57.60	580	11,392
Jan	57.80	-0.22	58.30	57.80	735	10,367
Feb	58.10	-0.29	58.25	58.10	125	3,426
Total					33,358	108,228

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	85.45	-0.56	85.75	85.40	42	208
Nov	88.10	-0.90	88.75	88.10	193	4,162
Jan	90.10	-0.90	90.75	90.10	154	2,860
Mar	92.10	-0.90	92.75	92.10	100	1,854
May	94.10	-0.90	94.75	94.50	60	999
Jul	96.10	-0.90	96.75	96.50	23	38
Total					572	9,974

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	363.25	+2.5	365.00	360.75	3,311	23,625
Dec	377.50	+1.75	381.00	376.00	7,118	56,200
Mar	389.00	+2.25	391.00	387.00	1,358	16,311
May	391.50	+2.5	393.50	389.50	186	1,871
Jul	388.50	+1	390.00	387.00	527	7,254
Dec	404.00	+1.5	408.00	404.00	254	254
Total					12,754	105,536

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	262.25	-1.25	264.50	261.75	9,792	37,564
Dec	266.00	-1.25	269.00	265.50	28,442	164,123
Mar	274.25	-1.5	277.00	274.00	3,970	38,970
May	279.25	-1.5	280.75	278.75	1,212	10,389
Jul	282.50	-1.25	284.25	282.25	2,291	17,635
Sep	266.50	-	268.50	265.50	35	1,578
Total					46,962	279,338

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	78.50	-0.75	-	-	-	138
Nov	81.50	-0.75	81.75	81.75	5	996
Jan	83.50	-0.75	84.00	83.75	12	429
Mar	85.50	-0.75	-	-	-	278
May	87.00	-0.75	87.50	87.25	10	19
Total					27	1,842

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	730.50	-48.75	761.00	730.00	1,777	821
Sep	645.50	-9.25	655.00	644.00	4,674	13,702
Nov	610.00	-9.5	621.00	609.00	26,959	82,578
Jan	613.75	-9.75	623.50	613.50	1,876	17,239
Mar	623.25	-9.25	630.50	623.00	672	6,827
May	630.75	-9	637.00	630.00	408	5,543
Total					38,331	133,746

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	22.10	-0.05	22.19	22.03	270	209
Sep	22.12	-0.1	22.30	22.07	5,740	18,051
Oct	22.30	-0.1	22.47	22.25	2,341	14,156
Dec	22.62	-0.12	22.88	22.58	6,625	43,564
Jan	22.80	-0.11	23.01	22.83	466	7,718
Mar	23.09	-0.11	23.30	23.03	532	6,115
Total					16,105	94,697

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	260.5	-9.8	268.0	258.0	5,519	1,014
Sep	232.2	-3.2	235.5	231.8	9,937	25,825
Oct	209.6	-4.4	213.0	209.0	3,194	15,962
Dec	201.1	-3.5	206.5	200.8	8,538	42,902
Jan	198.2	-3.3	200.5	197.5	408	6,676
Mar	194.0	-4	196.8	193.8	434	8,397
Total					29,117	168,141

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	62.0	-	-	-	-	8
Mar	112.0	+3.0	-	-	-	-
Apr	128.0	+3.0	129.0	123.0	101	1,349
May	138.0	+3.0	-	-	-	2
Jun	148.0	+3.0	-	-	-	-
Total					101	1,342

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	1315	+5	1315	1315	16	750
Sep	1410	+25	1405	1395	34	610
Oct	1505	+20	1510	1490	168	1,522
Jan	1515	+15	1520	1510	54	249
Total					350	3,141

	Close	Prev
BFI	1293	1293

PULP AND PAPER

■ PULPEX OMLX ($6; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	540.25	+0.25	541.00	540.25	20	223
Dec	560.25	+1.25	562.50	560.25	17	136
Total					37	359

FUTURES DATA
All futures data supplied by CMS.

Nuts and seeds
Prices from Kenkko: US$ a tonne. Iranian pistachios 28/30 raw naturally opened: RPPC prices at 4,350 FCA. Walnuts US jumbo inshell: 2,100 CPT Europe. Turkish hazelnuts standard No 1: 13/15 + 11/13 spot at 4,900. New crop indication 4,800 due to support by Fiskobirlik. Turkish apricots No. 1 crop 1997 at 2,900 FOB. Iranian apricot halves 1,800 CFR for top quality. Indian cashews: crop 1997 W320 at 5,200, W240 at 5,700. US almonds: crop '97, SL5% at 3,800 for Sept/Oct ship. Coconut: 1,010 from CFR Philippine. Russian Snow White pumpkinseed: crop 96 long type at 1,980 CFR MEP.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1045	+20	1045	1020	1,753	18,557
Dec	1074	+20	1075	1048	2,470	43,459
Mar	1093	+16	1093	1075	1,237	50,629
May	1106	+14	1107	1095	309	22,182
Jul	1118	+11	1118	1107	108	7,803
Sep	1135	+12	1136	1124	142	10,972
Total					6,499	176,438

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1550	+15	1550	1535	588	1,655
Dec	1569	+16	1570	1553	5,014	38,815
Mar	1597	+13	1602	1583	1,078	26,337
May	1615	+12	1615	1602	246	12,358
Jul	1635	+12	1633	1632	13	2,464
Sep	1657	+12	1650	1642	50	3,943
Total					6,863	98,384

■ COCOA (ICCO) (SDR's/tonne)

Aug 19	Price	Prev. day
Daily	1212.82	1204.17

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1519	-1	1560	1510	1,612	13,460
Nov	1545	+3	1585	1534	3,134	16,279
Jan	1531	+1	1567	1520	925	6,752
Mar	1510	-	1545	1502	239	1,850
May	1500	-	1525	1525	80	307
Jul	1497	+2	1530	1510	30	32
Total					5,940	38,782

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	170.70	-15.40	189.50	170.00	1,858	3,686
Dec	155.95	-11.20	169.00	155.60	3,057	9,168
Mar	141.00	-9.00	151.50	144.00	277	3,913
May	135.50	-9.00	145.50	138.50	22	1,157
Jul	130.50	-9.50	142.00	134.00	18	805
Sep	126.00	-9.50	-	-	8	291
Total					5,230	19,302

■ COFFEE (ICO) (US cents/pound)

Aug 19		Prev. day
Comp. daily	130.72	127.67
15 day average	135.93	136.65

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	325.1	-2.0	326.7	324.6	1,011	15,074
Dec	322.7	-1.7	323.8	322.3	211	6,856
Mar	324.9	-2.2	327.0	324.3	1,054	8,357
May	322.9	-2.4	324.0	323.0	349	2,072
Aug	320.9	-2.4	-	-	-	934
Oct	316.8	-1.5	318.0	316.5	190	2,289
Total					2,800	33,650

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.69	-0.15	11.84	11.64	14,098	101.5k
Mar	11.94	-0.11	12.02	11.85	8,660	67,288
May	11.92	-0.10	12.01	11.85	1,695	15,726
Jul	11.85	-0.05	11.90	11.77	2,135	9,817
Oct	11.84	-0.04	11.91	11.77	1,699	7,608
Mar	11.77	-0.05	11.78	11.75	106	1,271
Total					28,393	203,433

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	73.65	+0.07	73.80	73.30	2,501	8,540
Dec	73.75	-0.10	74.00	73.52	5,243	42,973
Mar	75.03	-0.07	75.15	74.77	853	11,784
May	75.78	-0.07	75.85	75.60	490	4,880
Jul	76.52	-0.08	76.75	76.40	502	4,336
Oct	75.45	+0.35	75.45	75.00	93	671
Total					9,998	79,589

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	69.05	-	69.80	68.50	124	11,327
Nov	70.50	-	71.00	70.10	5,077	12,697
Jan	73.35	-0.05	73.90	73.00	1,431	5,865
Mar	76.45	+0.15	76.75	76.05	504	3,881
May	79.15	+0.65	79.25	78.80	229	946
Jul	81.85	+0.65	81.50	81.20	115	492
Total					7,312	35,236

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are *one day in arrears*. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Aug 20	Aug 19	month ago	year ago
1905.6	1892.5	1883.7	1948.0

■ CRB Futures (Base: 1967 = 100)

Aug 19	Aug 18	month ago	year ago
239.92	237.68		

■ GSCI Spot (Base: 1970 = 100)

Aug 19	Aug 18	month ago	year ago
194.88	192.55	192.76	204.15

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+5,250	to	643,325
Aluminium alloy	-160	to	54,680
Copper	+1,175	to	269,850
Lead	-125	to	118,275
Nickel	+246	to	58,254
Zinc	-1,550	to	376,150
Tin	-55	to	10,940

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
Aug	66.425	+0.1	66.900	66.200	2,479	2,748
Oct	68.850	-	69.475	68.525	9,853	49,146
Dec	70.500	-0.5	71.250	70.400	3,280	21,741
Feb	72.500	-0.35	73.025	72.425	1,586	11,300
Apr	74.500	-0.35	75.000	74.425	422	4,886
Jun	71.425	-0.3	71.800	71.350	579	3,005
Total					18,268	93,320

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
Oct	70.375	+0.175	70.500	69.550	3,827	17,030
Dec	67.250	-0.025	67.450	66.775	1,966	6,306
Feb	66.475	+0.200	66.525	65.850	506	2,683
Apr	62.600	+0.100	62.650	62.250	32	1,813
Jun	66.975	-	67.200	66.850	14	841
Jul	65.200	-0.250	65.550	65.200	10	643
Total					6,158	29,461

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
Aug	83.850	+0.100	84.150	82.900	147	601
Feb	70.800	-0.150	71.300	70.000	936	3,593
Mar	71.000	-0.150	71.000	70.400	88	298
May	71.475	-	-	-	1	25
Jul	71.875	-0.100	-	-	-	18
Total					1,172	4,542

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Sep	Nov	Sep	Nov
1600	65	100	41	70
1650	41	76	66	95
1700	25	57	99	125
■ COPPER (Grade A) LME	**Sep**	**Nov**	**Sep**	**Nov**
2100	106	114	61	105
1150	80	92	85	131
2200	59	73	114	161
■ COFFEE LIFFE	**Sep**	**Nov**	**Sep**	**Nov**
1500	28	115	9	70
1550	6	93	37	98
1600	1	74	82	129
■ COCOA LIFFE	**Sep**	**Dec**	**Sep**	**Dec**
1000	45	102	-	28
1025	21	87	1	38
1050	4	72	8	48
■ BRENT CRUDE IPE	**Oct**	**Nov**	**Oct**	**Nov**
1800	-	-	-	-
1850	-	-	24	-
1900	44	-	-	-

LONDON SPOT MARKETS

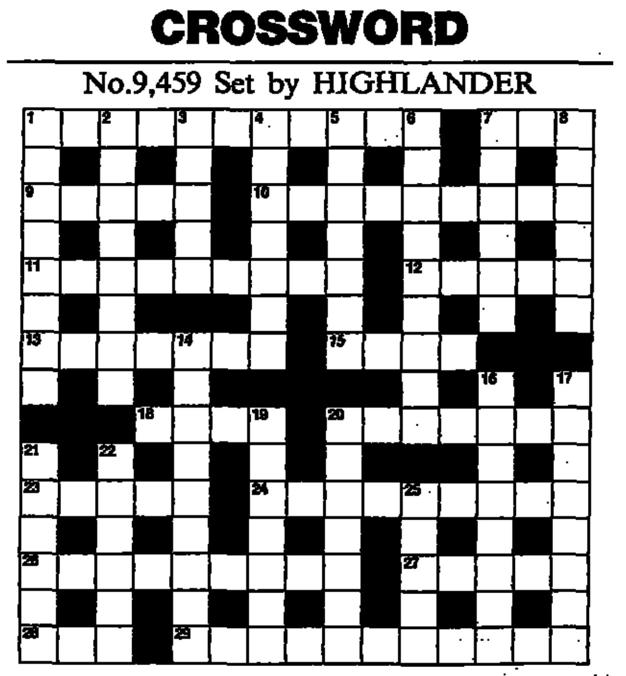
■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$17.81-7.86w	-0.175
Brent Blend (dated)	$18.76-8.79	-0.155
Brent Blend (Oct)	$19.03-9.05	-0.17
W.T.I.	$20.25-0.27w	-0.205
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$229-233	
Gas Oil	$170-172	-1
Heavy Fuel Oil	$91-93	
Naphtha	$190-192	-2
Jet fuel	$189-190	+0.5
Diesel	$175-176	-0.5
■ NATURAL GAS (Pence/therm)		
Bacton (Sep)	8.90-9.00	
Petroleum Argus. Tel. London (0171) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$322.25	-0.80
Silver (per troy oz)♣	451.00c	-2.00
Platinum (per troy oz.)	$405.50	-8.00
Palladium (per troy oz.)	$190.00	-8.00
Copper	113.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.63r	-0.02
Tin (New York)	251.5	
Cattle (live weight)	100.10p	+0.94*
Sheep (live weight)	108.51p	-4.22*
Pigs (live weight)†	68.86p	-3.85*
Lon. day sugar (raw)	$287.20	
Lon. day sugar (wte)	$345.60	-0.40
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Sep)♥	61.75p	
Rubber (Oct)♥	62.00p	
Rubber (KL RSS No1)	252.0z	
Coconut Oil (Phil)§	567.5y	+17.5
Palm Oil (Malay.)§	482.5z	-5.00
Copra (Phil)§	$380.0y	
Soyabeans (US)	212.0	
Cotton Outlook'A' index	81.05c	
Wooltops (64s Super)	433p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Aug/Sep. z Aug. w Oct. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,119 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,459 Set by HIGHLANDER



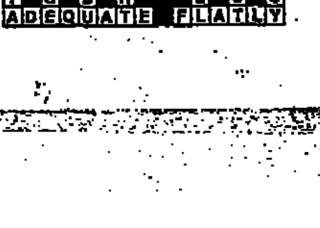
ACROSS

1 Go to Mediterranean to have something ready-made (5-2-4)
7 Miss convict's back (3)
9 Runs local game (5)
10 With influence on moving (9)
11 Passing criticism on team's sponge (9)
12 Quick – it's cold (5)
13 Vessel from Spain captured by imperial unit (7)
15 In this Hindu book a maiden falls for love god (4)
18 Shock from most unexpected source (4)
20 Was hurrying but showed the way round school (7)
23 Rugby witticism backfired in preparation period (3-2)
24 Clean draw – no line on girl (9)
26 Wild bull – save a person's precious things (9)
27 Sick in the centre of the French department capital (5)
28 The French kiss is slack – goes without saying! (3)
29 A thousand additional ships needed to raise little ones (11)

DOWN

1 Produce new version of naval flag without central character (8)
2 District in Yorkshire publicised by Porter (8)
3 Worthless coverings in other words dropped by sled dogs (5)
4 Put beer back into cocktail to produce high spirits (7)
5 Bad feeling of resentment say, when demand not at its highest (3-4)
6 Familiar ways of referring to people with prison terms (9)
7 Influenza earlier? Put gymnastics training on hold (6)
8 Run on next to early leader (3,3)
14 Emanations from Tom's place? (9)
16 Several ships – many laid up in Florida (8)
17 Holding fast there and at sea (8)
19 Allowed to kiss first piece of jewellery (7)
20 Combination of metals that's also a wood (5)
21 What men behind the wheel do: over fifty? Rubbish! (6)
22 It describes arrival of many in unstable condition (6)
25 Ill possibly on account of colour (5)

Solution 9,458



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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
American Phoenix Investment Portfolios (u)						
13 rue Goethe, L-1637 Luxembourg 00 352 404646211						
European Multinational Pfolio			Ecu25.21		+0.42	-
European Multinational Pfolio			$26.80		+0.21	-
European Multinational Pfolio			£15.77		+0.22	-
European Multinational Pfolio			L42357		+754	-
European Multinational Pfolio			DM43.53		+0.32	-
Global Multinational Pfolio			Ecu21.74		+0.46	-
Global Multinational Pfolio			$25.75		+0.28	-
Global Multinational Pfolio			£15.20		+0.26	-
Global Multinational Pfolio			L45542		+840	-
Global Multinational Pfolio			DM46.74		+0.91	-
US Growth Companies			$17.54		+0.29	-
US Growth Companies			£10.98		+0.23	-
US Growth Companies			L31644		+714	-
US Growth Companies			DM32.49		+0.77	-
US Real Estate Securities			$15.61		+0.31	-
US Real Estate Securities			£9.77		+0.08	-
US Real Estate Securities			L28160		+340	-
US Real Estate Securities			DM28.90		+0.27	-
BAII Asset Management Ltd						
10 Piccadilly, London W1V 0EE 0171 734 3700						
Investcorp NAV Jul 31 F			$561.42		-	-
Interportfolio Fund						
Convertible (US$) Jul 31			$780.93		--	-
Convertible (FFr) Jul 31 F			FFr3294.02		-	-
Condor (US$)		2	$540.83		-	-
Bank Von Ernst & Cie AG						
Marktgasse 63/65, 3001 Berne, Switzerland 0041 31 3291111						
UK Equity			£17.88		+0.35	-
UK Smaller Co's Eqty			£26.67		+0.06	-
Nth American Equity			£17.31		+0.23	-
US Smaller Co's Eqty			$24.68		+0.16	-
Pacific Basin Equity			$15.84		+0.26	-
Japanese Equity			Y571		+2	-
European Equity			[illegible]		+0.40	-
Swiss Equity			[illegible]		+0.32	-
Sterling Fixed Int			£15.86		-0.01	-
Sterling Fixed Int Dis			£16.58		-	-
European Fixed Int			[illegible]		+0.04	-
European Fixed Int Dis			[illegible]		+0.03	-
DM Bond Cap			[illegible]		+0.01	-
DM Short Term Cap			[illegible]		-	-
Global Equity			$15.05		+0.10	-
Global Bond			$13.42		-0.07	-
Global Bond Dis			$9.81		-0.05	-
Global Managed			[illegible]		+0.34	-
Swiss Franc Short Term Dis			[illegible]		--	-
Swiss Franc Short Term Cap			[illegible]		-	-
Swiss Franc Bonds Dis			[illegible]		-	-
Swiss Franc Bonds Cap			[illegible]		-	-
Foreign & Colonial Portfolios Fd Sicav(u)						
33 Boulevard Prince Henri, L-1724 Lux 00 352 2256 211						
Asn Smlr Cos Eq F			$43.52		+0.64	-
Japanese Smlr Cos Eq F			Y877.00		+2.00	-
European Smlr Cos Eq F			Ecu17.64		+0.03	-
Emerging Asian Eq F			$22.16		+0.63	-
Sterling Beta F			£9.97		-	-
Sterling Distribution F		5	£9.56		+0.10	-
Frontrunner I (u)						
67 rue de Neudorf Luxembourg 00 352 43887350						
European Equities			Ecu171.59		---	-
Global Bonds			DM173.40		—	-
Global Bonds			DM156.44		---	-
Sterling Fund			£153.25		--	-
Danish Bonds			DKr779.04		---	-
Swedish Bonds		3	SKr129.89		--	-
German Bonds			DM108.09		—	-
Dollar Bonds		3	$101.12		—	-
Scandinavian Equities			Ecu280.16		---	-
Far East Equities			$89.99		--	-
North American Equities		5	$106.67		--	-
Danish Kroner Reserve			DKr111.30		—	-
Swedish Kroner Reserve			SKr116.89		—	-
German Mark Reserve			DM108.31		-	-
US Dollar Reserve		3	$101.35		—	-
ECU Reserve			Ecu111.12		--	-
Norwegian Kroner Reserve			NKr100.14		--	-
Comeit 2/1958		3	DM120.57		--	-
Bonds 2/1998		3	DM103.16		--	-
Bonds 3/1999			DM102.18		--	-
Danish Mortgage Bonds			DKr101.79		—	-
Danish Long Bonds		3	DKr102.40		—	-
GT Global						
(44) 171 710 4567 London (852) 2845 7230 Hong Kong						
GT Europe A			$30.68	84.82	+0.86	0.13
GT Europe A			£50.72	53.39	+0.54	0.13
GT Europe B			$80.91		+0.88	0.16
GT Europe B			£50.87		+0.54	0.16
GT Investment A			$37.93	39.92	+0.17	1.17
GT Investment A			£23.85	25.10	+0.11	1.17
GT Investment B			$38.04		+0.17	1.19
GT Investment B			£23.92		+0.11	1.19
GT US Small Cos A			$39.59	41.67	+0.53	0.00
GT US Small Cos A			£24.89	26.20	+0.33	0.00
GT US Small Cos B			$39.71		+0.53	-
GT US Small Cos B			£24.97		+0.33	0.00
HSBC Investment Funds Luxembourg SA (u)						
7 rue du Marché - aux - Herbes L-1728 Luxembourg						
Dealing 00 352 47681 2220 Fax 479568						
HSBC Global Investment Funds						
International and Regional Funds						
Morgan Stanley Sicav - Contd.						
Japanese Equity A		C	Y1093.33			
Japanese Equity I			Y1096.73			
US Equity Gth A		C	$24.88			
US Equity Gth I			$24.94			
Deutschemark Bond A		C	DM14.26			
Deutschemark Bd B		C				
Deutschemark Bd I			DM14.32			
European Bd A		C	Ecu19.40			
European Bd B		C				
European Bd I			Ecu19.44			
Global Bond A		C	$18.03			
Global Bond I			$18.07			
Nth American Bd A		C	$13.52			
Nth American Bd B		C				
Nth American Bd I			$13.55			
US High Yield Bd A		C	$18.33			
US High Yield Bd B		C	$18.30			
US High Yield Bd I			$18.37			
Real Yield A		C	$13.82			
Real Yield I			$13.86			
International Small Cap A		C	Ecu13.80			
International Small Cap B		C				
International SmCap I			Ecu13.84			
US Small Cap Equity A		C	$18.75			
US Small Cap Equity I			$18.82			
US Value Equity A		C	$17.85			
US Value Equity B		C	$17.84			
US Value Equity I			$17.90			
Latin America A			$16.05			
Latin American I			$16.10			
Short Maturity Euro Bd A		C	Ecu12.98			
Short Maturity Euro Bd I			Ecu13.01			
Emerging Mkts Debt A		C	$24.52			
Emerging Mkts Debt B		C	$24.50			
Emerging Mkts Debt I			$24.58			
Gold A		C	$8.43			
Gold B			$17.88			
Gold I			$8.46			
US Real Estate Secs A		C	$15.40			
US Real Estate Sec B			$15.34			
US Real Estate Secs I			$15.45			
Italian Lira Bond A		C	L25686.87			
Asian Property A						
Asian Property B		C				
Asian Property I		C				
European Property A		C				
European Property B		C				
European Property I		C				
Italian Lira Bond B		CE				
Italian Lira Bond I		C				
Nikko Global Umbrella Fund						
16 Bld Royal, L-2449 Luxembourg 00 44 171 222 2326						
Japan Net Rev YEN			Y843	849		

[illegible]

OFFSHORE INSURANCES

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Professional Investment Consultants				
Premier Lux $	$1.48	1.55	--	-
Premier Lux £	£1.46	1.55	--	-
PCI Worldwide Opps	£1.333	1.430	--	-
SPILA Flexible Growth	$1.3340	1.1120	+0.030	-
Royal Life International				
Royal Court, Arbory Rd, Castletown IoM			01624 821212	
Pension Growth A	£1.210	1.547	-0.018	-
Pens Growth Sgross		£7.833		-
Royal Life UF Mngd Fd	£2.574	2.788	--	-
Royal Life Gilt Fd	£2.522	2.712	+0.008	-
Royal Life UF Eqty Fd	£2.369	2.545	--	-
Royal Life Euro Fd	£2.657	2.857	--	-
Ryl Life Intl Gwth Fd	£1.682	1.809	--	-
Lazard Intl Fd	£2.137	2.204	--	-
YRA Growth Fd	£1.434	1.543	--	-
SAM 1	$2.092	2.203	--	-
SAM 2	$1.961	1.743	--	-
SAM 3	£2.248	2.367	--	-
SAM 4	£1.889	1.889	--	-
Ok Egypt Mkt Equity Fd	£1.700	1.828	--	-
Sterling Money Market	£1.626	1.626	--	-
Dollar Money Market	$1.203	1.203	--	-
UK Index Tracker	£2.565	2.759	--	-
RLI Income Portfolio	£1.184	1.274	--	-
RLI European Based Portfolio	£1.204	1.295	-0.011	-
RLI Pacific Basin Portfolio	£1.455	1.565	-0.013	-
RLI Equity + Portfolio	£1.052	1.132	-0.027	-
Elite Fd	$1.538	1.539	--	-
Veritas Performance Sterling	£9.837	10.532	--	-
Veritas Performance Dollar	$9.643	10.369	--	-
Veritas Managed Sterling	£9.819	10.559	--	-
Veritas Managed Dollar	$9.751	10.485	--	-
Royal Skandia Life Assurance Ltd (z) (1200)F				
Skandia Hse, Finch Rd, Douglas, IoM			01624 611611	
£ Cautious Baring Mgd	£1.757	1.889	+0.001	-
£ Balanced Baring Mgd	£1.898	2.040	+0.004	-
£ Aggressive Baring Mgd	£1.859	1.998	+0.005	-
£ Cautious Gartmore Fixed	£1.518	1.632	-0.001	-
£ Balanced Gartmore	£1.787	1.921	+0.004	-
£ Balanced Fidelity	£2.146	2.307	+0.004	-
£ Blend Managed	£1.541	1.656	+0.005	-
£ Balanced INVESCO	£2.363	2.433	+0.008	-
£ Aggressive Perpetual	£2.385	2.664	+0.004	-
£ Deposit	£1.775	1.908		-
£ Building Society	£1.834	1.971	+0.001	-
$ Cautious Baring Mgd	$1.583	1.702	-0.002	-
$ Balanced Baring Mgd	$1.874	2.014	--	-
$ Aggressive Baring Mgd	$1.844	1.982	-0.003	-
$ Cautious Gartmore Fixed	$1.347	1.448	-0.003	-
$ Balanced Gartmore	$1.563	1.680	+0.002	-

	Selling Price	Buying Price	+ or -	Yield Gross
BAS-EX Currency Fund Plc				
NAV (GBG)	£100685		+1675	-
BEA Associates				
Argentina Eqty Invs I Jun 30	$90.33		--	-
Argentina Eqty Fd II Jul 31	$80.40		--	-
Brazilian Eq Invs I Jul Apr 30	$307.61		--	-
Brazilian Eq Invs III Ltd	$34.97		--	-
Sth America NAV Aug 14	$5.32		--	-
BNP				
FIT - Millions 1	$1313.07		(2)	-
BZW Nikko US IT				
BZW Nikko A Shs (r)	$18.44		--	-
BZW Nikko B Shs (r)	$14.39		--	-
Julius Baer Bank & Trust Co Ltd				
Liquibaer	$2640	2641	--	-
Baer Global Bond	$12.15		--	-
Bahia Fund				
Equity Shares	$20.96205103		--	-
Equity IBOV Shares	$17.55101142		--	-
Brazil Fixed Shares	$13.06940814		--	-
Debt Shares	$14.40455944		--	-
Banca Reig. S.A. (Principality of Andorra)				
Reig Spanish Equity Aug 18	Pta982.33		--	-
Banco do Brasil-BB Fund				
Class A-Brazilian Equities	$1810.071308		(2)	-
Class B-Brazilian Fixed Inc	$1269.552737		--	-
Class D-Brazilian Fixed Inc	$1184.7463		(2)	-
Banc Internacional D'Andorra Banca Mora				
Andorfons	Pta2169.66		--	-
Andb Plus	Pta1311.63089		--	-
Andb Estalvi Dollar	$17.75		--	-
Andb Japo	Y784.65		--	-
Andb Anglaterra	£7.40		--	-
Andb Europa	DM17.28		--	-
Andb Franca	FFr68.47		--	-
Andb Espanya	Pta1670.62		--	-
Andb Emergents	$10.70		--	-
Andb Pessetes	Pta112610.24		--	-
Andb Marcs	DM1042.84		--	-
Andb Dollars	$1025.31		--	-
AndorDivisa	Pta11043.70		--	-
Bank of America				
World Horizon Funds				
Aggressive Growth NAV	$11.40		--	-
Intl Equity NAV	$11.34		--	-
International Bond NAV	$9.19		--	-

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

IRELAND

[redacted]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or −	52 week high	52 week low	Mkt CapEm	Yld Gr's	P/E
Anglo Am Ind R		£27¼	.....	*£27⅞	£20¼	2,091	2.7	ϕ
Barlow	♣†	571½	−⅞	58¾	£5¼	1,843	1.9	15.9
Gold Flds Prop R	†	145½	−13½	167	72	14.8	5.9	11.3
SA Brews		£18⅞	+⅛	£20⅞	£13¼	6,615	2.0	ϕ
Standard Bank		£29⅞	+⅞	£30	£21	3,611	1.8	ϕ
Tiger Oats	†	1000	+18	1100	790	1,511	1.8	19.4
Tongaat-Hulett		773¼	+6¼	790¾	676¼	758.7	2.4	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings'formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- †‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend	F Yield based on prospectus or other official estimates for 1996-97.	FID (Foreign Income Dividend)
b Figures based on prospectus or other official estimates.	G Assumed yield after pending scrip and/or rights issue.	B Forecast annualise yield, p/e based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.	H Yield based on prospectus or other official estimates for 1997.	W Pro forma figures.
h Assumed dividend yield after scrip issue.	K Yield based on prospectus or other official estimates for 1996	Z Dividend yield to date.
r Rights issue pending	L Estimated annualised yield, p/e based on latest annual earnings.	Abbreviations:
q Earnings based on preliminary figures.	M Yield based on prospectus or other official estimates for 1997-98.	xd ex dividend;
s Dividend yield excludes a special payment.	‖ Dividend is paid in whole or part as a	xc ex scrip issue;
t Indicated dividend yield, p/e ratio based on latest annual earnings.		xr ex rights;
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.		xa ex all;
z Dividend yield includes a special payment		xk ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

The share prices printed on these pages are also available on the internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Equities respond to good news on US rates

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The UK equity market's rehabilitation after last Friday's 125-point slide was taken a stage further yesterday. Big gains in London were similar to those across other European markets, which registered their relief that the US Federal Reserve had decided to leave rates on hold.

The Fed decision had seen the Dow Jones Industrial Average post its second consecutive three-figure gain, almost retrieving the 247-point loss recorded in the US on Friday.

At the finish of a brisk trading session, the FTSE 100 index showed a 44.2 gain at 4,958.4, a two-day rally of 123.4 points.

There was a much less convincing performance from the market's second liners, with the FTSE 250 index only managing a 6.6 rise to 4,687.4.

A long list of stocks including many engineering companies were hit by worries about sterling. The FTSE SmallCap index, however, continued to make progress, finishing at a high of 2,250.9, up 11.3.

Turnover picked up from the depressed levels seen on Monday and Tuesday when the institutions had backed away from the market awaiting the Fed news.

At the 6pm reading, turnover was 775.7m shares, compared with Tuesday's 694.9m and Monday's 595.5m. The latter was the lowest daily turnover for some months. Marketmakers were slightly surprised at the uptick in business.

One said he welcomed the increase in liquidity, but he warned that the market would be wrong to get too complacent with the recovery in London and Wall Street in the past couple of sessions.

"There is precious little support above 5,000 on the FTSE 100 and we're still in the middle of the summer holiday period. It's too early to say we've ridden out the storm," he said.

Equities derived some support from the early strength in gilts, which moved modestly higher shortly after the opening and immediately after news of retail sales and M4 money supply for last month.

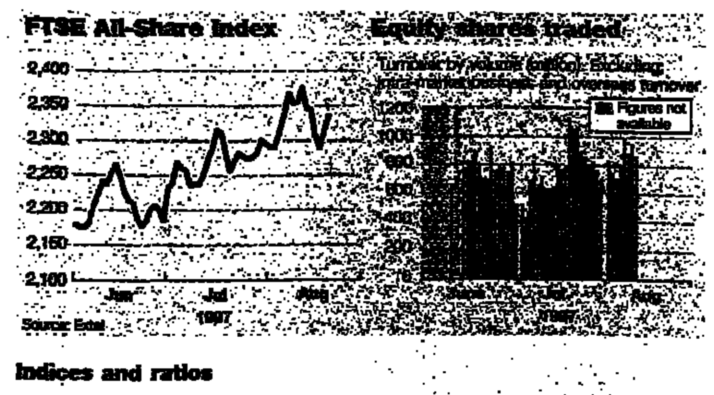
The retail sales figure came in up 0.3 per cent, compared with a consensus forecast of 0.4 per cent, while M4 expanded by 0.8 per cent, slightly above the consensus forecast of 0.7 per cent.

Some economists voiced concerns about the year-on-year rise in sales momentum.

"It is impossible to believe the Bank of England will be comfortable with annual retail sales running at 6.5 per cent, the highest level since July 1988 and the highest in the world at present. Furthermore, in the three months to July sales were up 9 per cent annualised on the previous three months," said David Bloom at HSBC James Capel.

He added that the economy "will accelerate into the second half, not slow, and the Bank, as well as the markets, will be surprised by the strength inherent in the economy."

Wall Street behaved erratically at the start of trading in the US yesterday, slipping before rising over 30 points not long into the session.



Indices and ratios

FTSE 100	4958.4	+44.2	FT 30	3167.2	+11.2
FTSE 250	4687.4	+6.6	FTSE Non-Fins p/e	19.98	19.86
FTSE 350	2391.0	+17.9	FTSE100 Fut Sep	4980.0	+36.0
FTSE All-Share	2334.91	+17.08	10 yr Gilt yield	7.06	7.07
FTSE All-Share yield	3.36	3.39	Long gilt/equity yld ratio	2.11	2.09

Best performing sectors		Worst performing sectors	
1 Oil: Integrated	+2.6	1 Diversified Industrials	-2.3
2 Electricity	+2.6	2 Engineering: Vehicles	-2.1
3 Mineral Extraction	+2.3	3 Engineering	-0.9
4 Pharmaceuticals	+1.6	4 Alcoholic Beverages	-0.5
5 Utilities	+1.4	5 General Industrials	-0.5

Gencos surge on review

By Peter John and Joel Kibazo

Power generators raced to the top of the Footsie performers' table yesterday as the market responded with enthusiasm to the latest pricing review.

The review gave a lift to the status of stocks that are increasingly sought as currency safe havens and for their yield attractions.

It led to a radical rethink by some of the bears of the sectors, who were left stunned by the generosity of Professor Stephen Littlechild's recommendations.

SBC Warburg removed its pessimistic views on all the leading generators, apparently arguing that the game had shifted for at least two years. It moved from "sell" to "hold" on National Power, "sell" to "add" on PowerGen and "sell" to "neutral" on British Energy.

NatWest reinforced its positive stance. Analyst Ian Graham said the review would please everyone. "It is a structure which does not upset the industry and should not be costing the customer too much more."

The regulator's formula paves the way for electricity price cuts of between 7.5 and 10 per cent over the next two years compared with forecasts of 10 to 12 per cent. Consequently, it removes concerns that the companies will appeal to the Monopolies and Mergers Commission. Generators have most to fear from an MMC ruling because of their comparative lack of competitiveness.

British Energy leapt 11½ to 166½p. **PowerGen** jumped 35 to 761½p while **National Power** lifted 23 to 539½p and **Scottish Power** 11 to 431½p.

Bulls of **Granada** just gained the upper hand, the shares closing 3 to 805½p, in trade of 3.9m after Dresdner Kleinwort Benson published a 44-page note on the company.

Urging investors to buy the shares, the team at Kleinwort has set a near-term share price target of 940p, well above current levels. In its note, the broker highlighted the value of Granada's stake in the British Digital Broadcasting (BDB) television venture with **Carlton Communications**.

The broker estimates the value of Granada's stake in BDB at £313m or 37p per Granada share. "We conclude that this investment is an impressive example of value creation and its prospects are not reflected in the Granada share price."

Kleinwort suggests investors should adjust for both the BSkyB stake and BDB when valuing Granada. Carlton gained 5½ to 506½p.

Currency jitters knocked **David S. Smith** by 5.6 per cent, the biggest percentage fall of all the UK's top 350 stocks.

The shares fell 12 to 202p, continuing an apparently inexorable slide that has taken the stock down from above 340p a year ago. The stock also reflected selling pressure derived from an agency cross of 2.7m shares traded at 216p on Tuesday.

Panmure Gordon says about 50 per cent of the group's trading profit is affected directly or indirectly by the strength of the pound against the D-Mark. The paper and packaging company is the sector's most heavily geared sterling play and profits for the year to April 1998 are expected to be virtually halved if the pound stays at present levels.

HSBC gained 35 to £22.11½ as a flurry of speculation swept through European stock markets that the UK's biggest bank was poised to make an offer for Commerzbank of Germany. HSBC was one of several mooted suitors that included ABN Amro Bank and ING. Commerzbank declined to comment on the rumours and denied talk it would hold a news conference in the afternoon. However **Lloyds TSB**, which was also mentioned in connection with the German bank, eased a penny to 739p with some speculation that a cautious broker stance was about to hit clients' desks.

Abbey National improved 18 to 832½p in the wake of a recommendation from HSBC James Capel.

Halifax rose 4½ to 736p ahead of interim results today.

A clutch of recommendations helped boost Anglo-Dutch giant **Unilever**. The shares appreciated 38½ to £18.55. Dealers said Merrill Lynch had upgraded its long-term recommendation for the stock to "buy" from "neutral" while NatWest Securities advised clients to "add" to holdings.

"We believe the recent weakness in the Unilever share price will be short-lived, providing an excellent buying opportunity," said the securities house. It added: "The earnings picture is looking very robust, with sterling now weaker and good weather likely to be boosting Ice cream sales."

However, NatWest is negative on **Cadbury Schweppes**, a shade firmer at 598p and said: "We expect developments in the US soft drinks market to remind investors of the unequal nature of Cadbury's struggle there."

Rentokil rose 3 to 217½p after the group announced a 44 per cent leap in first-half profits to £193.9m. Growth was less than expected but a positive outlook boosted sentiment and dealers said general optimism ensured the company's shares had resisted post-results profit-taking for the first time in 10 years.

BP lifted 34 to 893p on continuing upbeat broker comment on the value of its 16 per cent interest in the Dalia field off Angola.

Satellite broadcaster **BSkyB** was weak again, falling 3 to 435p as Credit Suisse First Boston issued a post-results sell note. The broker argues: "The bottom line is that the market has been pricing in margin expansion from BSkyB's already excessive levels for too long".

Huntingdon Life Sciences, a contract testing company whose shares were suspended because of concerns over its animal testing licence, came back to the market at 46½p. The Stock Exchange restored its listing following a full review which led to the company making management, procedural and training changes.

While the shares were suspended, Huntingdon came out with interim figures that reflected a loss of £348,000 after a decline in orders.

Systems Integrated Research, the AIM-quoted supplier of software products for the education market, jumped 2½ to 7½p following announcement of the company's figures.

The company came to the AIM market last year at 115p.

Shares in diversified industrials group **Tomkins** fell 10 to 317½p as they responded to a "trading sell" recommendation by HSBC James Capel, according to dealers. Volume was 2.7m by the close.

BTR's strong run ended yesterday as the shares finally ran into profit-taking.

FT 30 INDEX

	Aug 20	Aug 19	Aug 18	Aug 15	Aug 14	Yr ago	*High	*Low
FT 30	3167.2	3156.0	3124.8	3143.3	3198.2	2808.4	3222.3	2668.8
Ord. div. yield	3.48	3.50	3.53	3.51	3.44	4.06	4.22	3.39
P/E ratio net	18.61	18.49	18.30	18.40	18.80	16.96	19.07	15.80
P/E ratio nil	18.42	18.30	18.11	18.22	18.61	16.82	18.88	15.71

FT 30 since compilation: high 3236.5 12/08/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3176.8	3166.7	3163.8	3161.6	3158.7	3161.1	3162.9	3159.5	3167.4	3177.5	3157.2

	Aug 20	Aug 19	Aug 18	Aug 15	Aug 14	Yr ago
SEAQ bargains	42,395	42,488	47,921	44,454	44,885	32,456
Equity turnover (£m)†	-	NA	NA	NA	2930.5	1650.6
Equity bargains†	-	NA	NA	NA	38,224	38,860
Shares traded (m)†	-	NA	NA	NA	780.0	538.4

†Excluding intra-market and overseas turnover but including Crest turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	1,098	Total Highs	78	Total contracts	47,342
Total Falls	399	Total Lows	44	Calls	25,557
Same	1,586			Puts	21,785

Aug 20 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4965.0	4986.0	+42.0	4992.0	4938.0	8292	71980
Dec	5023.0	5052.5	+42.5	5033.0	5016.5	750	6792
Mar	5070.0	5096.0	+42.0	5080.0	5070.0	266	391

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4790.0	4750.0	+14.0	4780.0	4719.0	170	8933

■ FTSE 100 INDEX OPTION (LIFFE) (*4958) £10 per full index point

	4800 C	4800 P	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P	5150 C	5150 P
Sep	237½	46½	189	60½	162½	75	131½	97	103	119½	79½	148½	58	180	42	217
Oct	284	79	247	93	214½	111½	185	134	154½	156½	129	183	107	212	85½	241
Nov	337	111	302	127	272	147	242½	168	212½	189	184½	213½	163	242½	141½	272½
Dec	371	123	339	141½	306	161	274½	181½	244	203	218	227½	193	256½	170	286½
Jun†	512	199			458	235			388½	274½			341½	325		

Calls 2,454 Puts 1,365

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4825 C	4825 P	4875 C	4875 P	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P	5125 C	5125 P	5175 C	5175 P
Sep	211½	51½	175½	65	142½	81½	113	102	88	127½	67	155½	49½	187½	36	224
Oct	261½	83½	227½	99	196	117	166½	136½	140	159½	116	185½	95½	214	77	245
Nov	318½	117½	285½	133½	254½	151½	225½	171½	198	193	173	217	150	243½	128	271½
Dec	350	128			285½	161½			228½	201			177½	248		
Mar†	430½	171½			369½	206			313	245			261	289		

Calls 6,635 Puts 8,540 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	-	415	403	Antofagasta Uts	404		-	-	-	-
§	F.P.	5,121	246	220½	Billiton	246	+4	RO10c	1.8	2.6	24.5
*	F.P.	7.94	80½	70½	†Blakes Clothing	79½		L1.45	5.1	2.3	8.7
-	F.P.	85.8	109¾	101	Bristol & W Prf	109¾		-	-	-	-
§100	F.P.	29.0	145	109½	Cammell Laird	136½		L3.8	2.1	3.5	13.2
	F.P.	-	115	114	EMI B	115		Z2.75	-	3.1	-
*	F.P.	9.92	117½	117½	Fairfield Ents	117½		W2.0	7.9	2.1	7.4
§3	F.P.	4.61	3¼	3½	†Fairplace Cnslig	3¼		-	-	-	-
§-	F.P.	7.24	65	55	†GR Holdings	55		-	-	-	43.6
§150	F.P.	237.1	202	182½	Galen Hldgs	195½	-1	L0.9	5.7	0.6	31.5
§125	F.P.	5.81	135	99	†Helicon Publsg	99		-	-	-	-
§	F.P.	564.5	396½	368½	Ionica	375½		-	-	-	-
§160	F.P.	17.0	175½	172½	†Kingfisher Leis	175½		LW2.0	6.0	1.4	14.6
*	F.P.	-	79½	78½	†LEPCO	78½		-	-	-	-
§80	F.P.	4.21	98	93	†Landround	94½		3.3	1.7	4.4	18.6
§173	F.P.	44.1	217½	195½	Metroline	205		R5.8	2.8	3.5	12.3
100	F.P.	32.7	112½	99½	Reabourne Merlin	108½		-	-	-	-
§100	F.P.	7.77	120½	105½	†SBS Group	109½		L2.4	2.0	2.7	19.3
-	F.P.	-	38½	33	Severn Trent B	33½	-1	-	-	-	-
-	F.P.	-	54½	42½	†Stentor Warrants	53½		-	-	-	-
	F.P.	-	22¾	19½	Thorn B	20½		-	-	-	-
-	F.P.	77.5	68½	60	Viglen Tech	69½	-1½	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Aug 19	% chg on day	Aug 18	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1423.37	-1.1	1439.15	2016.43	2.22	-	2061.05	1279.14
■ Regional Indices								
Africa (14)	1429.00	-0.3	1433.72	2554.06	5.36	23.70	2595.89	1324.08
Australasia (6)	1549.55	-0.2	1552.45	2409.00	3.40	17.91	2455.10	1338.10
North America (11)	1419.49	-1.5	1440.99	1812.37	0.99	72.11	1854.46	1244.23

Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Aug 20	Day's chge%	Aug 19	Aug 18	Aug 15	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4958.4	+0.9	4914.2	4835.0	4865.8	3872.1	3.33	2.03	18.52	115.28	2127.79
FTSE 250	4687.4	+0.1	4680.8	4664.0	4698.2	4387.4	3.54	1.59	22.19	100.49	1984.28
FTSE 250 ex IT	4694.5	+0.1	4690.4	4673.1	4704.1	4422.3	3.68	1.62	20.95	103.85	1973.19
FTSE 350	2391.0	+0.8	2373.1	2340.6	2355.9	1937.4	3.37	1.94	19.12	54.78	2094.89
FTSE 350 ex IT	2391.7	+0.8	2373.8	2340.7	2355.7	-	3.40	1.95	18.88	22.76	1074.75
FTSE 350 Higher Yield	2279.8	+0.5	2268.8	2247.3	2255.3	1851.4	4.60	1.76	15.50	66.61	1685.99
FTSE 350 Lower Yield	2502.3	+1.0	2478.3	2435.9	2457.8	2030.7	2.39	2.22	23.53	42.86	1791.07
FTSE SmallCap	2250.93	+0.5	2239.74	2228.63	2243.41	2148.47	3.19	1.74	22.52	44.19	1917.33
FTSE SmallCap ex IT	2216.46	+0.4	2206.54	2194.61	2204.73	2140.21	3.46	1.82	19.84	47.50	1904.84
FTSE All-Share	2334.91	+0.7	2317.83	2287.40	2302.40	1914.19	3.36	1.93	19.31	52.99	2075.98
FTSE All-Share ex IT	2335.63	+0.7	2318.50	2287.30	2301.68	-	3.40	1.94	18.93	22.12	1068.22

■ FTSE Actuaries Industry Sectors

	Aug 20	Day's chge%	Aug 19	Aug 18	Aug 15	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4910.71	+2.3	4800.46	4694.72	4717.36	3864.17	3.14	1.94	20.54	98.75	2204.07
12 Extractive Industries(5)	4227.42	+0.7	4195.97	4257.61	4339.15	4248.69	3.72	2.38	14.09	104.80	1292.18
15 Oil, Integrated(3)	5218.44	+2.6	5084.54	4942.29	4951.63	3758.06	3.24	1.86	20.75	107.40	2409.45
16 Oil Exploration & Prod(12)	3807.62	+1.0	3769.60	3730.99	3783.69	2626.32	1.51	2.25	36.90	38.65	2393.22
20 GEN INDUSTRIALS(263)	2047.30	-0.5	2056.58	2049.28	2062.91	2025.29	3.89	1.76	18.23	49.06	1174.24
21 Building & Construction(35)	1395.49	+0.1	1394.34	1389.23	1393.11	1170.28	3.20	1.98	19.77	28.45	1215.11
22 Building Matls & Merchs(30)	1875.06	-0.3	1881.38	1881.12	1875.41	1906.68	4.30	1.74	16.75	42.84	991.48
23 Chemicals(26)	2706.24	+1.0	2682.27	2682.77	2709.02	2387.11	3.76	1.63	20.40	71.65	1354.56
24 Diversified Industrials(15)	1443.16	-2.3	1476.91	1457.68	1447.56	1514.37	5.05	2.01	12.32	46.48	861.35
25 Electronic & Elect Equip(37)	2172.72	+1.4	2142.89	2136.98	2160.19	2371.80	3.78	1.63	20.28	48.75	1181.36
26 Engineering(66)	2725.33	-0.9	2749.33	2754.89	2771.68	2463.41	3.09	2.34	17.27	52.34	1720.66
27 Engineering, Vehicles(13)	3054.18	-2.1	3118.41	3162.17	3193.88	3100.85	3.31	‡	‡	65.84	1650.03
28 Paper, Pckg & Printing(27)	2158.10	-0.4	2167.74	2159.81	2170.83	2711.06	4.89	1.78	14.33	63.44	945.96
29 Textiles & Apparel(14)	1025.56	-0.1	1026.17	1032.19	1036.71	1264.07	6.62	0.99	18.55	41.67	674.90
30 CONSUMER GOODS(84)	4583.00	+0.9	4543.36	4473.70	4482.51	3838.28	3.34	1.83	20.47	114.41	1779.96
32 Alcoholic Beverages(7)	3299.89	-0.5	3317.49	3307.76	3322.68	2868.72	3.82	1.99	16.47	90.96	1259.96
33 Food Producers(25)	3102.20	+0.9	3074.79	3042.54	3056.32	2543.99	3.55	1.86	18.87	69.99	1470.90
34 Household Goods(17)	3160.81	+0.8	3134.19	3088.90	3112.89	2568.23	3.22	2.32	16.75	54.26	1299.68
36 Health Care(14)	2288.40	+0.1	2286.68	2271.30	2278.77	2008.42	2.59	1.61	29.84	36.49	1437.37
37 Pharmaceuticals(18)	7373.99	+1.6	7258.14	7080.56	7073.44	5436.07	2.53	1.73	28.64	153.36	2605.25
38 Tobacco(3)	4295.70	-0.4	4311.35	4307.25	4331.99	3778.01	6.56	1.81	10.55	225.73	1164.57
40 SERVICES(270)	2739.36	+0.4	2729.74	2703.28	2711.14	2570.21	2.94	1.97	21.52	51.46	1481.12
41 Distributors(30)	2872.64	+0.3	2863.71	2859.77	2884.15	2817.98	3.28	1.93	19.74	54.79	1102.06
42 Leisure & Hotels(31)	3217.52	+0.6	3198.02	3191.04	3177.55	3212.02	2.89	1.92	22.53	70.15	1786.76
43 Media(41)	4098.10	+0.4	4082.80	4031.70	4035.24	4336.43	2.46	1.94	26.20	75.55	1528.22
44 Retailers, Food(15)	2422.54	+0.3	2414.18	2387.30	2421.78	2041.95	3.43	2.26	16.16	47.61	1614.02
45 Retailers, General(53)	2241.62	+0.1	2239.71	2206.37	2206.72	2144.63	3.16	2.03	19.47	44.61	1337.83
47 Breweries, Pubs & Rest.(22)	3405.65	+0.1	3400.82	3393.69	3374.86	3160.74	3.33	2.29	16.42	62.74	1703.37
48 Support Services(55)	3084.26	+0.7	3063.42	3049.70	3075.63	2461.34	1.70	2.59	28.44	29.79	2011.37
49 Transport(23)	2884.38	+0.6	2867.78	2836.05	2853.75	2403.43	3.48	1.23	29.20	61.92	1260.30
60 UTILITIES(31)	3056.91	+1.4	3013.56	3004.61	3003.76	2329.87	4.71	1.45	18.34	76.08	1423.46
62 Electricity(9)	3410.32	+2.6	3323.43	3305.39	3300.07	2409.65	5.21	2.01	11.94	111.29	1937.75
64 Gas Distribution(2)	2339.99	+1.1	2314.76	2299.82	2306.35	1369.21	5.21	‡	‡	54.50	1324.91
66 Telecommunications(8)	2343.27	+1.2	2316.12	2310.43	2312.87	1976.07	3.94	1.55	20.46	44.69	1127.48
68 Water(12)	2879.25	+0.5	2864.84	2873.38	2859.22	2213.05	5.76	2.27	9.57	90.98	1724.12
69 NON-FINANCIALS(668)	2339.04	+0.7	2321.85	2297.19	2304.62	2017.42	3.49	1.79	19.98	51.65	1866.37
70 FINANCIALS(104)	4665.38	+0.7	4631.38	4528.87	4600.17	3104.84	3.13	2.45	16.31	119.82	2120.30
71 Banks, Retail(10)	7281.22	+1.0	7211.08	7000.66	7135.60	4448.64	2.87	2.57	16.96	183.00	2610.85
73 Insurance(16)	1847.73	+0.4	1840.74	1826.92	1845.73	1468.41	4.69	2.89	9.20	73.88	1492.43
74 Life Assurance(7)	4882.07	-0.2	4893.20	4852.89	4910.61	3441.39	3.52	2.32	15.31	121.00	2132.60
77 Other Financial(26)	3367.64	+0.7	3342.59	3305.89	3323.96	2608.62	3.13	1.99	20.06	70.61	2012.42
79 Property(43)	1995.29	+0.1	1993.36	1989.89	1999.16	1618.69	3.26	1.32	28.80	35.42	1284.10
80 INVESTMENT TRUSTS(127)	3528.18	+0.7	3504.76	3493.53	3545.03	3173.54	2.15	1.17	49.79	46.05	1267.02
89 FTSE All-Share(899)	2334.91	+0.7	2317.83	2287.40	2302.40	1914.19	3.36	1.93	19.31	52.99	2075.98
105 FTSE All-Share ex IT(772)	2335.63	+0.7	2318.50	2287.30	2301.68	-	3.40	1.94	18.93	22.12	1068.22
FTSE Fledgling	1251.93	+0.4	1247.48	1244.27	1252.13	1236.22	3.25	0.85	40.56	25.51	1358.57
FTSE Fledgling ex IT	1250.19	+0.3	1246.24	1242.41	1248.11	1248.76	3.63	0.94	36.60	26.01	1359.08
FTSE AIM	1024.2	.....	1023.8	1020.5	1026.2	-	1.03	0.79	80.00†	4.80	939.73

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4954.7	4946.7	4955.0	4952.6	4944.2	4947.8	4951.1	4941.5	4959.0	4961.5	4936.1
FTSE 250	4693.2	4696.3	4692.0	4690.2	4689.4	4688.6	4688.0	4686.6	4686.4	4696.7	4685.7
FTSE 350	2390.1	2387.3	2390.1	2389.0	2385.7	2387.0	2388.2	2384.3	2390.7	2392.1	2383.1
FTSE SmallCap	2244.29	2245.73	2246.81	2248.34	2248.88	2249.49	2250.06	2249.90	2250.70	2250.97	2244.29
FTSE All-Share	2333.67	2331.18	2333.84	2332.93	2329.91	2331.17	2332.30	2328.75	2334.69	2335.98	2327.40

Time of FTSE 100 Day's high: 4:13 PM Day's low: 9:14 AM. FTSE 100 1997 High: 4958.4 (20/08/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 4:13 PM Day's low: 9:14 AM. FTSE All-Share 1997 High: 2334.90 (20/08/97) Low: 1989.78 (02/01/97)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown.
‡ Values are negative. Deletion: Brockbank (FTSE AIM).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	987	490	+2½
AMVESCAP	120	385½	+½
ASDA Group†	5,800	149¾	+¼
Abbey National†	8,100	832½	+18
Airtours	296	1173½	+8½
Albert Fisher	990	40	+¼
Alliance & Leicester†	1,600	821½	+5½
Allied Domecq†	4,000	473	-8½
Anglian Water	924	772½	+5
Argos	1,800	641½	+13
Arjo Wiggins	909	194	-2½
Assoc. Brit. Foods†	641	505½	+½
Assoc. Brit. Ports	652	278½	
BAA†	2,200	570½	-4½
BAT Inds.†	4,000	508½	-1½
BBA	2,400	389½	-9
BICC	274	169½	+1
BOC†	1,000	1137	+18
BG†	10,000	259	+5
BP†	5,800	893	+34
BPB	428	350	
BSkyB†	2,100	435	-3
BT†	10,800	383½	+4
BTR†	25,200	219	-8½
Bank of Scotland†	2,100	419	-8½
Barclays†	2,200	1426	+32½
Bass†	1,300	840½	+2½
Blue Circle†	1,100	423½	-5
Booker	32	314	-1½
Boots†	1,800	802½	
Britannic	305	831½	+1
Brit. Aerospace†	1,100	1448½	+2½
British Airways†	4,800	645	+21
British Biotech	532	189½	-1
British Energy	6,900	166½	+11½
British Land†	883	592	-½
British Steel†	4,400	178½	-1
Burmah Castrol†	549	1087½	+18½
Burton	2,200	128¼	-¼
Cable & Wire†	3,700	572	+5½
Cadbury Schweppes†	2,400	598	+½
Caradon	1,400	217	
Carlton Comms.†	1,900	508½	+5½
Centrica†	7,000	88¾	-1¼
Coats Viyella	4,000	118	-1½
Comm. Union†	2,400	723½	-8½
Compass	4,000	627	-½
Cookson	2,500	261	-½
Courtaulds	1,300	332½	-5
Dalgety	710	287	-½
De La Rue	2,200	392½	-7½
Dixons†	3,700	639	+17½
EMAP	91	833½	+1
EMI†	2,800	548	-10½
Electrocomps	1,100	488	-2
Energy Group†	3,900	626½	-2
Enterprise Oil†	635	699½	+7
FKI	367	194	-3
Foreign & Col. I.T.	829	176	+¼
Gen. Accident†	847	928½	-2
General Elect.†	13,000	383	+7
Glaxo Wellcome†	4,300	1248½	+17
Glynwed	179	289½	-9
Granada†	4,000	805½	+3
Grand Met.†	5,900	579½	-6
GUS†	2,800	639½	-3½
Greenalls	1,200	491½	+2½
GRE†	1,700	261	-4
GKN†	1,200	1192½	-45
Guinness†	2,600	578½	+2
HSBC (75p shs)†	2,000	2211½	+35
Halifax†	6,700	736	+4½
Hammerson	108	479½	+5
Hanson†	433	299	-1
Harrisons Crosfield	350	111½	-½
Hays†	1,100	600½	+10½
Hillsdown	605	162	-1½
Hyder	133	843½	+5
IMI	295	359½	-12½
ICI†	2,100	1037½	+25½
Imperial Tobacco†	1,100	394	-8
Inchcape	1,400	290	+4½
Johnson Matthey	511	617½	-8
Kingfisher†	1,700	742	+7½
Ladbroke†	1,200	251½	
Land Securities†	1,800	926	-1
Laporte	158	691½	-11
Legal & General†	1,300	446½	+2
Lloyds TSB†	7,000	739	-1
LASMO†	483	273	+3
Lonrho	728	122½	-½
LucasVarity†	9,900	198½	-1½
MEPC	487	474½	-2
MFI	819	158½	-½
Marks & Spencer†	3,000	593	-1½
Mercury Asset Man†	315	1371	+13½
Morrison (Wm.)	60	180	
NFC	3,000	137	+2
NatWest Bank†	5,700	793	-1½
National Grid†	6,900	285	+2¼
National Power†	12,200	539½	+23
Next†	1,100	772½	-12
Northern Foods	251	225	
Norwich Union	9,500	333	
Orange†	803	214	+1
Pearson†	1,600	759½	+11
P & O†	1,700	641	-1
Pilkington	4,300	146½	-1
PowerGen†	4,200	761½	+35
Premier Farnell	153	544	-1½
Provident Financial	247	658½	+9
Prudential†	3,600	599	-3
REXAM	746	290½	+3
RMC†	480	1065	-5
Racal	133	295	
Railtrack†	1,300	781	-3
Rank Group†	1,900	344	+6½
Reckitt & Colman†	384	872	+9½
Redland	2,700	302½	+8½
Reed Intl.†	4,900	573½	+15
Rentokil Initial†	14,400	217½	+3
Reuters†	2,900	644½	+1
Rio Tinto†	2,400	1006½	+8
Rolls Royce†	1,400	245	-1
Royal & Sun Alliance†	8,000	540	+10½
Royal Bk Scotland†	4,800	694	-4½
Safeway†	1,600	383½	+2
Sainsbury†	2,700	441½	+½
Schroders†	34	1870	+7½
Scottish & New.†	8,100	759½	-2½
Scot. Hydro-Elect.	255	443	
Scottish Power†	10,900	431½	+11
Sears	13,300	63	+1
Securicor	324	290	
Severn Trent†	199	852½	+2
Shell Transport†	10,600	435½	+5
Siebe†	1,350	1098½	-28½
Slough Ests	254	312½	+3
Smith (W.H.)	1,800	373½	-2
Smith & Nephew	2,700	179	+1
SmKl Beecham†	10,400	1135	+30
Smiths Inds.†	373	822½	-11
Southern Elect	1,900	461	+7
South West Water	922	772	+10½
Stagecoach	75	701½	+1½
Standard Chartd.†	2,500	1057½	+15½
Storehouse	618	227	-2½
T&N	475	146½	-2
TI Group†	2,500	561½	-10½
Tarmac	1,600	118½	-½
Tate & Lyle†	1,900	418½	+2½
TeleWest Comms	893	85	
Tesco†	1,800	418½	+2
Thames Water†	165	792½	+½
Thistle Hotels	1,700	148	+1½
Thorn	1,600	169½	-½
Tomkins†	2,700	317½	-10
Unigate	101	533½	-1
Unilever†	2,300	1855	+38½
United Assurance	95	444	-8½
United Biscuits	359	216½	
Utd. News & Media†	793	700½	-10
United Utilities†	3,800	710	+2
Vodafone†	7,700	323	+7½
WPP	7,900	269½	+7
Wessex Water	67	479	+1½
Whitbread†	425	929½	+2
Williams	3,300	359½	-3
Wolseley†	2,300	461½	-5
Woolwich	8,300	294½	-2
Yorkshire Water	390	436½	+7½
Zeneca†	1,600	1955	+13

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 Index constituent. All trades are rounded. Source: Extel, part of FT Information.

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

[illegible]

PACIFIC

[illegible]

NORTH AMERICA

CANADA

TORONTO (Aug 20 / Can $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Aug 20 / Rand)

[illegible]

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

[illegible]

	Aug 20	Aug 19	Aug 18	1997 High		1997 Low	
Hong Kong							
BSE Sens.(1979)	4234.63	4165.37	(c)	4548.02	5/8	3225.24	2/1
Indonesia							
Jakarta Comp.(10/8/82)	593.17	590.53	598.64	740.83	8/7	580.53	19/8
Ireland							
ISEQ Overall(4/1/88)	3644.32	3643.88	3614.84	3728.89	8/8	2725.07	2/1
Italy							
Banca Comm Ital(1972)	905.18	893.07	883.22	980.18	23/7	642.55	2/1
MIB General(2/1/87)	1361.0	1343.0	1328.0	1442.80	23/7	881.00	2/1
Japan							
Nikkei 225(16/5/49)	19252.23	18861.00	19041.10	20681.07	18/6	17303.65	10/1
Nikkei 300(1/10/82)	291.73	288.92	291.82	303.71	28/7	261.04	27/1
Thailand							
Bangkok SET(30/4/75)	586.41	580.44	604.34	858.97	22/1	484.77	19/8
Turkey							
IMKB Nat 100(1986)	1930.00	1940.00	1952.00	2050.80	7/8	885.09	2/1
WORLD							
MS Capital Intl(1/1/70)	951.7*	947.3	939.4	981.80	31/7	794.58	14/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2877.21	2833.70	2576.75	2784.80	7/8	1893.80	2/1
FTSE E 100(26/6/90)	2270.67	2236.91	2184.31	2305.95	7/8	1582.99	2/1
HSBC JC Drgn(31/12/88)	(u)	400.25	408.88	434.83	6/8	381.63	29/4
ING Brngs Emrg(7/1/92)	(u)	180.88	181.80	198.81	8/7	158.74	3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (MATIF/MONEP) (200 x Index)							
Aug	2877.0	2967.0	+44.0	2967.0	2965.0	13,548	27,032
Sep	2983.5	2995.0	+44.5	2995.0	2973.0	1,326	24,412
■ DAX							
Sep	4248.0	4287.0	+67.0	4275.0	4216.5	26,958	92,922
Dec	4284.0	4301.5	+65.5	4306.0	4254.5	1,030	4,073

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ OMX							
Aug	2825.00	2813.00	+16.25	2828.25	2582.50	10,254	10,592
Sep	2838.50	2825.00	+17.25	2640.00	2605.00	6,034	12,548
■ SOFFEX							
Sep	5874.0	5895.5	+103.2	5725.0	5662.1	6,773	22,457
Oct	5882.6	5702.0	+284.6	5682.6	5682.6	1	2,535

~ Sat Aug 16: Taiwan Weighted Price 8705.57; Korea Comp Ex 748.41. Base values of all indices are 100 except: Australia All Ord and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall; Toronto Comp./Met & Mins, DAX — all 1,000; SMI - 1500; JSE Gold — 255.7; JSE 20 Ind - 264.3; IMKB Nat 100 - 1; NYSE All Common — 50; Stand & Poor's — 10 and Amex Comp - 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 20 - 4251.98 +61.48 † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Aug 19	Aug 18	Aug 15	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7918.10	7803.36	7694.66	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	104.22	104.13	104.24	104.70 (31/7)	101.09 (14/4)	104.70 (31/7/97)	54.99 (1/10/81)
Transport	2880.41	2873.86	2864.96	3009.25 (6/8)	2222.07 (2/1)	3009.25 (6/8/97)	13.23 (8/7/32)
Utilities	232.34	230.37	228.51	240.85 (22/1)	209.47 (25/4)	258.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7947.37 (7847.48) Low 7776.65 (7588.28) (Theoretical♦)
Day's high 7918.80 (7803.36) Low 7803.09 (7618.47) (Actual♦)

Standard and Poors	Aug 19	Aug 18	Aug 15	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	926.01	912.49	900.81	960.32 (6/8)	737.01 (2/1)	960.32 (6/8/97)	4.40 (1/6/32)
Industrials♥	1089.23	1072.62	1058.41	1130.76 (6/8)	865.42 (11/4)	1130.76 (6/8/97)	3.52 (30/6/32)
Financial	106.87	105.23	104.08	111.88 (31/7)	80.75 (2/1)	111.88 (31/7/87)	7.13 (4/9/74)
NYSE Comp.	479.54	473.55	469.10	497.00 (6/8)	389.47 (11/4)	497.00 (6/8/97)	4.64 (25/4/42)
Amex Comp.	641.22	634.59	635.51	654.06 (6/8)	541.20 (28/4)	654.08 (6/8/97)	524.20 (16/7/96)
NASDAQ Cmp	1600.71	1569.52	1562.03	1630.44 (6/8)	1201.00 (2/4)	1630.44 (6/8/97)	54.87 (3/10/74)

■ RATIOS

	Aug 15	Aug 8	Aug 1	Year ago
Dow Jones Ind. Div. Yield	1.69	1.61	1.58	2.22
	Aug 13	Aug 6	Jul 30	Year ago
S & P Ind. Div. yield	1.53	1.47	1.48	2.04
S & P Ind. P/E ratio	25.27	26.35	26.05	22.04

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Bay Network	7,609,200	37¼	+¼
Pfizer	6,293,000	53⅛	+¾
Compaq	5,522,400	60⅞	+2¾
General El	4,990,600	66½	+¾
Micron Tech	4,607,000	46⅝	+1¾
Gillette	4,605,400	85⅞	+2⅞
T.JX Co	4,579,600	27⅛	+⅛
Monterey Rs	4,601,700	20⅝	....
Coca Cola	4,087,600	60⅝	+⅞
Adv Micro	3,889,400	41⅛	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Aug 19	Aug 18	Aug 15
New York SE	545.580	517.159	538.550
Amex	20.790	20.310	21.114
NASDAQ	683.568	554.615	549.453
NYSE			
Issues Traded	3,390	3,399	3,363
Rises	2,037	1,393	715
Falls	808	1,473	2,126
Unchanged	545	533	522
New Highs	100	65	69
New Lows	16	34	23

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	931.30	928.35	-2.70	931.75	928.30	65,355	182,639
Dec	0	940.85	-	-	928.00	1,348	10,797

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	18870.0	19200.0	+270.0	19290.0	18860.0	20,936	176,683
Dec	19140.0	19180.0	+370.0	19180.0	19000.0	520	15,467

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, August 20, 1997

	Stocks Traded	Closing Prices	Change on day
Sakura Bank	7.2m	758	+15
Daiwa Bank	6.4m	685	+54
LTCB	5.7m	613	+17
Fujita Corp	5.7m	108	-6
Nippon Steel Cp	5.5m	310	+1
Toshoku	4.9m	133	-14
Hitachi	4.3m	1230	+20
Mitsubishi Est	4.2m	1680	-40
Fujitsu	4.0m	1630	
Yamaichi Secs	3.5m	249	-2

NEW YORK STOCK EXCHANGE PRICES

4 pm close August 20

- A -

1997 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38 1/4	24 1/4	AAR x	0.48	1.4	26	106	34 1/2	34	34 3/16	-1/16
53 3/4	33 1/2	AMP x	1.04	2.0	42	7253	51 1/2	50 5/8	51 1/2	+7/8
110 1/16	78 1/4	AMR			8	3231	107 7/16	104	107 1/4	+2 13/16
37 5/8	29 1/2	ASA x	1.20	4.0	20	356	30 1/2	30 3/16	30 3/16	+3/16
58 13/16	49 3/4	AbbtL	1.08	1.7	24	16303	62 3/4	61 1/2	62	+5/16
20 1/2	14 1/8	Abitibi	0.40	2.2	9	226	18 3/16	18 3/16	18 3/16	-1/8
25	17 3/8	ABM Inc	0.40	1.6	22	20	24 5/8	24 7/16	24 7/16	
24 1/2	17 1/4	Acptncain			11	128	22 5/16	22	22	-3/16
87 1/4	56 1/8	ACE Ltd	0.88	1.1	11	645	84	82 3/4	83 11/16	-1/16
10 3/4	10	ACM Gvt In x	0.90	8.6	11	542	10 1/2	10 3/8	10 7/16	+1/16
8	7	ACM GvOpp x	0.63	8.2		24	7 11/16	7 11/16	7 11/16	-1/16
10 3/16	9 1/4	ACM Man x	0.90	9.1		172	9 15/16	9 7/8	9 15/16	+1/16
10 7/8	6 1/8	Acme Elect				69	6 11/16	6 9/16	6 5/8	-1/16
20	13	Acme Mills				59	14 11/16	14 7/16	14 7/16	
22 11/16	14	ACNielsen			40	1349	22 1/8	21 3/4	22	
29 3/4	19 1/2	Acuson				657	26 3/8	26	26 1/16	+1/8
24 3/8	19 3/8	Adams Expr x	0.55	2.3	1	361	24 1/8	23 7/8	24 1/8	+3/16
48 1/2	24 7/8	AdvMic				14047	41 1/4	40 1/2	41 1/8	-1/4
27 1/2	10 3/8	Advest Grp	0.12	0.5	17	142	23 11/16	23 1/4	23 11/16	+1/4
18 13/16	11 3/8	Advo Inc			17	315	17 7/8	17 5/8	17 13/16	+3/16
78 7/8	61 1/8	Aegon	1.31	1.8	20	1767	74 1/2	73 3/8	73 13/16	-1/8
9 1/4	3 1/8	Aerflx				2393	8 3/4	8	8 3/4	+11/16
55 3/16	33	Aero-V x	0.80	1.4	19	733	u57 1/2	54 3/16	57 1/2	+2 15/16
82 3/4	48	AES Corp				20	76	76	76	-1 1/4
118 1/8	73	Aetna	0.80	0.9	30	13260	94 7/8	93 3/4	94	-7/16

- B -

1997 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
39	25 3/8	Baird (C N)	0.72	2.0	22	610	36	35 1/2	35 13/16	+3/8
30 1/4	19 13/16	Barnes Grp	0.67	2.3	15	135	28 7/16	27 7/8	28 7/16	+11/16
57 15/16	39	BarnBk	1.24	2.3	17	3489	54 1/4	53 1/2	54 1/8	+3/8
28 3/4	19 3/8	BrckGd	0.16	0.7	44	7304	23 1/16	22 11/16	22 15/16	+1/16
13 1/8	9 1/2	Barry(RG)			16	299	u13 1/16	12 15/16	13	-1/16
7 5/8	5 1/16	BattMt	0.05	0.9		2447	5 13/16	5 3/4	5 3/4	-1/16
47 7/8	32 1/2	Bausch	1.04	2.4	44	1398	43 3/16	42 3/8	42 11/16	-1/2
60 1/4	39 7/8	Baxter	1.13	2.0	59	7399	55 1/2	54 7/8	55 1/8	+1/2
37 1/16	15 3/8	BayNtwks				30460	u37 5/8	36 5/16	36 3/4	-3/8
29 5/8	25 1/4	Bay St Gas x	1.58	5.4	11	199	u29 3/4	29	29 1/8	-3/16
20 7/8	19 1/8	Bd Tr 1838	1.52	7.6		14	20 1/16	20	20	
8 1/2	7 1/2	BEA Inco	0.72	8.5		577	u8 1/2	8 3/8	8 7/16	
10 1/16	9	BeaStra	0.81	8.3		54	9 13/16	9 3/4	9 3/4	-1/16

Continued on next page

NYSE PRICES

4 pm close August 20

1997 High	Low	Stock	Div.	Yld %	P/E	Sls 100s	High	Low	Close Price	Chng
$84\frac{1}{2}$	$51\frac{1}{2}$	Xerox	1.28	1.6	21	8718	$79\frac{1}{4}$	$77\frac{1}{2}$	$79\frac{1}{8}$	$+1\frac{13}{16}$
49	$40\frac{1}{2}$	Xtra Corp x	0.80	1.7	17	176	$46\frac{13}{16}$	$45\frac{7}{8}$	$46\frac{13}{16}$	$+\frac{7}{16}$
25	$20\frac{3}{4}$	Yankee Egy	1.34	5.6	14	33	$24\frac{3}{8}$	24	$24\frac{1}{8}$	
56	$37\frac{7}{8}$	York Int	0.48	1.1	14	1739	46	$45\frac{5}{16}$	$45\frac{7}{16}$	$-\frac{1}{4}$
$6\frac{5}{16}$	4	Zapata	0.28	4.9	47	129	$5\frac{3}{4}$	$5\frac{5}{8}$	$5\frac{11}{16}$	$+\frac{1}{16}$
$13\frac{1}{8}$	$9\frac{1}{8}$	ZenithEl				545	$10\frac{13}{16}$	$10\frac{12}{16}$	$10\frac{7}{8}$	$+\frac{1}{16}$
$28\frac{3}{8}$	$24\frac{5}{8}$	Zenith Nat	1.00	3.6	16	187	$27\frac{13}{16}$	$27\frac{1}{8}$	$27\frac{5}{8}$	$+\frac{1}{2}$
$8\frac{1}{16}$	$7\frac{1}{8}$	Zweig Inc	0.73	9.2		248	$u8\frac{1}{16}$	$7\frac{13}{16}$	$7\frac{15}{16}$	$-\frac{1}{8}$
$28\frac{3}{4}$	$17\frac{3}{4}$	Zero x	0.12	0.4	20	80	$27\frac{13}{16}$	$27\frac{1}{2}$	$27\frac{13}{16}$	$+\frac{3}{16}$
$12\frac{9}{16}$	$10\frac{3}{4}$	ZweigFd♣	1.20	9.8		267	$12\frac{5}{16}$	$12\frac{1}{4}$	$12\frac{1}{4}$	$-\frac{1}{16}$
$9\frac{7}{16}$	8	Zweig Tot x	0.84	9.3		709	$u9\frac{1}{16}$	$8\frac{15}{16}$	$9\frac{1}{16}$	

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
¶ Dealings suspended.

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AMEX PRICES

4 pm close August 20

NASDAQ NATIONAL MARKET

4 pm close August 20

EASDAQ

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Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$2.875		0	8.25	2.875
Artwork Systems	US$8.75		109050	11.125	8.625
Chemunex	FFr10.5		0	18	10.5
Debonair Holdings	GBP8.7		3120	7.15	4.5
Dr Solomon's ADS	US$24.625	+0.125	30	28.375	16.875
EDAP TMS	US$7.125		0	9.125	6.9375
Esprit Telecom ADS	US$5.875	-0.125	140	12.25	5.375
Innogenetics	US$10.5		123295	12.75	10
Lernout & Hauspie	US$28.125	+0.25	5350	34	25
Mercer Int'l	US$10.625		0	11.75	8.125
NTL	US$22		0	25.125	21.625
PixTech	US$3.375	-0.125	0	6.125	3.375
Schoeller-Bleckmann	Sch1430	+12	43000	1430	900
Topcall Int'l	Sch3170	+10	2950	3363	3065
Turbodyne Technol.	US$3.73	-0.02	0	3.98	3.73

Prices for 20/8/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9990).

★ FINANCIAL TIMES Thursday August 21 1997

Dow within range of 8,000-point level

AMERICAS

Wall Street held on to the week's gains and appeared ready to rally further as the Dow Jones Industrial Average moved within range of the 8,000 point-level, *writes John Labate in New York.*

By early afternoon the Dow was 32.30 higher at 7,950.40. The broader Standard & Poor's 500 also improved, up by 6.26 at 932.27.

As large technology groups continued to stage a strong come-back, the Nasdaq composite index rose by 15.24 or nearly 1 per cent at 1,615.95. Among the high-tech leaders was Compaq Computer, which surged $3¾ or more than 5 per cent at $63⅞.

"We've probably seen the correction contained," said Bill Meehan, market analyst at Prudential Securities in New York.

Most impressive in this week's gains to Mr Meehan is the performance of small and medium-sized company stocks. By early afternoon the Russell 2000 index of smaller stocks gained 3.56 or 0.9 per cent at 417.35.

"What's changed recently in the market is we're not seeing a lot of the super-cap stocks reaching new highs," said Richard Hoey, director of equity research and chief economist at Dreyfus Corp.

The trend suggests that investors are broadening their buying choices somewhat, giving analysts a positive view of future market rises.

Few, however, would count certain large company stocks out of future rallies. "Our view is that it is the big-cap technology companies that are leading the market," said Ed Kirchner, stock market strategist at PaineWebber.

Companies like Dell and Compaq, large drug companies and financial firms should continue to take the market higher, with the ever-turbulent Dow reaching 8,700 by year end, according to Mr Kirchner.

Leading the Dow higher were Eastman Kodak, up $2¼ at $65⅝ and Philip Morris, the tobacco producer, which added $1 at $45⅞.

TORONTO continued to gain ground helped by a strong morning session for the banks and market heavyweight, BCE.

At noon, the 300 composite index was up 18.42 at 6,734.60.

Telecoms giant BCE jumped 65 cents to C$41.10. Royal Bank of Canada shook off worries about a potentially expensive bid tussle, rising 65 cents to C$63.40 and Toronto-Dominion Bank added 35 cents at C$41.80.

London Insurance, which received a counter bid from Great-West Lifeco on Tuesday topping an earlier offer from Royal Bank of Canada, improved a further 40 cents to C$34.05.

Bombardier continued to suffer from weak second-quarter results, sliding a further C$3.30 to C$26.20.

MEXICO CITY dipped at the opening but was moving higher by mid-morning. Steel leader Tamsa turned an initial loss of 1.50 pesos into a gain of 4.50 pesos to 150 pesos.

At midsession, the IPC index was up 54.77 or 1.1 per cent at 5,096.25.

SANTIAGO moved higher, adding 1.50 to 133.73 on the IPSA index at midsession. But **SAO PAULO** continued to lose ground. At the end of morning trading, the Bovespa index was 255 or 2.3 per cent lower at 10,957.

SOUTH AFRICA

South African shares ended higher but the market remained cautious ahead of GDP data due for release next week. The industrial index closed 59.8 up at 9,146.2, the all-share index ended up 40.6 at 7,437.8 and golds were off 4 at 1,013.5.

The weak rand, at eight-month lows, helped market leader De Beers finish up 100 cents at R151.25.

Bourses ahead on $, rates outlook

EUROPE

Bourses continued to gain ground, riding up on the firmer dollar and the perception that there were no short-term shocks in store for the interest rate outlook.

FRANKFURT had the added impetus of upbeat corporate news and feverish takeover talk, and at the close of electronic trading the Dax index was 61.48 higher at an Ibis-indicated 4,251.93.

Commerzbank was again the target of bid gossips. The shares touched DM74.50 before hitting an all-time high of DM72.70, up DM3.50. At 3.1m shares, volume was some of the heaviest of the year. The bank denied it was in "talks" and that it had planned to call a press conference yesterday afternoon.

Mannesmann surged DM52 to DM874 following better than expected interim results, which took in a strong telecoms performance plus a turnaround in pipes and trading. There was a strong suggestion that analysts would be upgrading their earnings estimates after today's meeting with the company.

Bumper six-month results at Merck lifted the shares DM2 to DM71.80 in a generally mixed chemicals sector.

ZURICH turned the spotlight on to its financial sector amid speculation a Commerzbank takeover or merger might be with Credit Suisse and Winterthur, which are themselves merging.

The SMI index added 110.0 or 2 per cent at 5,690.1, in a continuation of Tuesday's 3.3 per cent rebound which brought a halt to seven straight sessions of losses.

The possibility of a Swiss link for Commerzbank emerged after a news service report that Martin Ebner's BZ group had picked up 15 per cent of the German bank's capital, which it might use to press for a merger with CS-Winterthur. BZ declined comment, but analysts noted that Mr Ebner said in January that he could imagine his group investing in German banks.

CS Group rose SFr5.50 to SFr195.50 and Winterthur was SFr39 higher at SFr1,424.

PARIS saw a bounce for Rhône Poulenc plus another strong session for oils. The CAC 40 index ended 43.11 higher after a session of relatively narrow trading and limited volume.

Elf Aquitaine, hoisted on Tuesday by Angolan oil exploration news, rose a further FFr36 to FFr721 for a two-day advance of more than 11 per cent. Total moved up in sympathy, adding FFr22 at FFr625.

Rhône Poulenc gained FFr13.30 to FFr254.70 after the terms of the agreed bid for the minority shares in US offshoot, Rhone Poulenc Rorer, came in at the lower end of market expectations.

CCF stood out among banks, gaining FFr18.90 to FFr334.6 while retailer Pinault Printemps surged in late trading to close FFr150 better at FFr2,765.

AMSTERDAM continued rising but ended well off its highs as the US bond market weakened. The AEX index closed 12.27 up at 959.72, off a high of 975.11.

The market got off to a robust start with a 2 per cent rise, but the release of the US trade deficit for June put a damper on sentiment.

Philips rose Fl 8.50 or 5.7 per cent to Fl 158.40 after auctioning 100m of its shares in Taiwan Semiconductor. Philips said it would use the Fl 1bn raised to reduce debt.

ABN Amro retraced some of the healthy gains made this week with a fall of Fl 48.10 or 2.2 per cent to Fl 48.10. The banking group's results are due today.

Unilever added Fl 9.20 or 2 per cent to Fl 460.10 after Merrill Lynch upgraded its long-term recommendation for the share to "buy".

MILAN moved ahead for a second straight day, reassured by Wall Street, and the Comit index finished 12.11 higher at 905.18.

Among some of the day's best performers, Fiat was L166 higher at L5,703, Pirelli added L172 at L4,817, and Olivetti finished L23.1 higher at L695.1.

Manifattura Rotondi, the clothing maker, leapt L715 or 50 per cent to close at L2,150 on its first day of trading since August 11, when the shares were suspended for excessive gains.

OSLO took its cue from Wall Street but gains were limited by continued falls in engineering group Kvaerner. The all-share index closed 2.86 higher at 1,288.06.

Kvaerner closed NKr22.50 lower at NKr408.50 in the highest turnover of the day. The market was disappointed by its first-half profits announced on Tuesday.

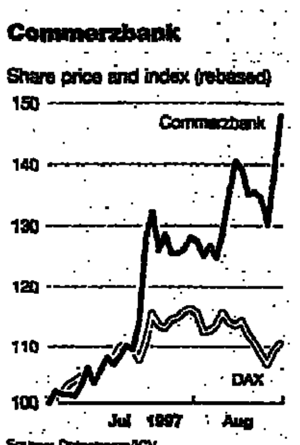
HELSINKI ended higher in active trade as the market latched on to Wall Street's overnight gains. The Hex collected 67.42 to 3,559.22, with advances beating declines 86 to 13.

Nokia led the rally, with the share closing up FM10 at FM464.90 in heavy volume. Trade in food and chemicals group Raisio was also active and gained FM31 to FM561.

Written and edited by Michael Morgan, Jeffrey Brown and Greta Steyn

Commerzbank

Share price and index (rebased)



Source: Datastream/ICV

FTSE Actuaries Share Indices — European series

August 20

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	978.61	+1.40	+13.48	2.33	0.00	980.78
FTSE Eurotop 100	2270.67	+1.51	+33.76	–	–	–
FTSE Eurotop 300 Regions						
300 UK	979.09	+1.18	+11.38	3.36	0.00	984.83
300 Ex-UK	978.29	+1.54	+14.82	1.75	0.00	978.38
300 Eurobloc	979.99	+1.39	+13.43	1.91	0.00	980.10
300 Ex-Eurobloc	977.60	+1.42	+13.67	2.63	0.00	981.24
FTSE Eurotop 300 Economic Groups						
Resources	1005.61	+2.15	+21.21	2.73	0.00	1010.15
General Industries	1003.30	+1.25	+12.39	1.97	0.00	1003.94
Consumer Goods	949.64	+1.56	+14.61	1.96	0.00	951.85
Services	971.29	+0.75	+7.23	2.30	0.00	972.36
Utilities	947.35	+1.56	+14.53	3.34	0.00	952.09
Financials						

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved. Markets closed 15/8/97: Austria, Belgium, France, Italy and Spain.

Funds help Kuala Lumpur rebound 5%

Renewed demand by domestic funds, and a hint that foreign institutions might also be buyers, brought a 5 per cent rebound to Kuala Lumpur as the market attempted to distance itself from the 32 month-low at which it settled on Monday.

Wall Street's firmer overnight close and yesterday's more confident performance in neighbouring Asian markets brought back buyers for large capitalised issues. These have been looking increasingly cheap after the market's 30 per cent pull back from its February high as lingering concerns about a slowdown in Malaysia's economic growth and worries about a further weakening in the country's currency spooked investors into selling.

The composite index of 100 large capitalised stocks closed 44.26 better at a high for the day of 929.57, as some short-covering and a strengthening local dollar against the US currency also provided support.

Few analysts believe that Kuala Lumpur is out of the woods yet, however. J. P. Morgan's key concerns are the stretched state of the economy, the high degree of financial leverage and the authorities' apparently relentless ambition to keep real GDP growth on the fast track.

While market valuations do seem low, Morgan believes that earnings multiples of 15 or lower are not necessarily underpricing the market. The investment bank says that the chances for a strong recovery remain slim, no matter how quickly the regional financial crisis abates. It expects earnings to disappoint, liquidity to stay tight and long-term valuations to be reduced.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms: Aug 15 1997	% Change over week	% Change on Dec '96	Local currency terms: Aug 15 1997	% Change over week	% Change on Dec '96
Latin America	(247)	749.48	–2.4	+39.3			
Argentina	(30)	1,218.86	–0.8	+28.2	747,492.72	–0.8	+28.2
Brazil	(68)	568.38	–4.8	+43.4	2,312.39	–4.7	+50.1
Chile	(46)	798.05	–1.4	+28.7	1,322.87	–1.3	+25.4
Colombia[1]	(14)	889.71	+3.7	+40.5	1,779.59	+4.7	+57.7
Mexico	(63)	773.78	–1.4	+46.1	2,590.40	–2.0	+44.1
Peru[2]	(17)	246.89	+0.2	+25.5	399.34	–0.3	+27.8
Venezuela[3]	(9)	1,030.79	–1.5	+41.6	11,729.48	–1.5	+47.1
Asia	(709)	211.40	–5.1	–16.4			
China[4]	(27)	106.77	+5.6	+44.8	111.72	+5.6	+44.7
South Korea[5]	(156)	83.79	+0.8	+6.5	98.58	+0.9	+14.8
Philippines	(42)	196.96	–11.8	–32.9	283.53	–8.1	–24.0
Taiwan, China[6]	(90)	193.42	–1.9	+26.2	208.55	–1.9	+31.8
India[7]	(77)	108.64	–1.5	+37.9	137.75	–1.6	+37.4
Indonesia[8]	(49)	95.93	–16.8	–24.8	149.95	–8.1	–8.5
Malaysia	(146)	223.87	–5.2	–33.5	229.95	–2.2	–26.7
Pakistan[9]	(28)	290.80	–5.0	+48.6	536.53	–5.0	+50.1
Sri Lanka[10]	(5)	146.06	–1.7	+53.6	187.87	–1.7	+59.6
Thailand	(87)	137.83	–3.9	–37.7	173.77	–2.5	–22.9
Euro/Mid East	(266)	160.27	–2.0	+19.4			
Czech Rep	(7)	61.68	+0.9	–12.1	69.26	–0.1	+9.1
Egypt	(16)	93.86	–0.2	–	93.69	–0.2	–
Greece	(54)	258.20	+2.0	+47.8	692.72	+0.3	+71.1
Hungary[11]	(12)	299.35	–6.5	+52.1	706.35	–7.5	+84.6
Israel	(40)	129.32	–3.3	+29.3	139.84	–3.6	+39.8
Jordan	(7)	209.70	–0.5	+12.3	312.95	–0.5	+12.2
Morocco	(5)	124.57	+1.2	–	134.34	–0.1	–
Poland[12]	(31)	688.30	+1.6	–6.0	1,511.85	+1.7	+14.7
Portugal	(29)	197.81	+1.3	+35.4	250.69	–0.4	+60.8
Russia	(15)	202.55	+0.1	–	209.48	+0.2	–
Slovakia	(5)	92.01	+1.9	–	97.92	+0.8	–
South Africa[13]	(63)	228.39	–3.3	+9.5	221.16	–2.8	+9.8
Turkey[14]	(58)	219.63	–2.6	+47.7	16,908.10	–2.3	+121.8
Zimbabwe[15]	(5)	653.78	–2.3	+38.1	1,127.47	–2.0	+49.4
Composite	(1222)	322.11	–3.3	+9.2			

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Tokyo rallies 1.5% in volatile session

ASIA PACIFIC

A late buying spree by domestic institutions took Tokyo up 1.5 per cent at the end of a volatile session, *writes Gwen Robinson.*

The Nikkei 225 average finished at the day's high point, up 291.23 at 19,252.23. The low for the session was 18,905.69.

Selling of construction stocks dragged the market down at the outset, but sentiment recovered as investors switched to the buy side, encouraged by New York's robust recovery overnight. There was solid buying of domestic demand-driven and high technology stocks towards the close.

Volume rose to an estimated 363m shares from 342m. Advances led declines 686 to 405 with 170 unchanged. The Topix index of all first-section stocks rose 9.08 to 1,492.08 and the capital-weighted Nikkei 300 was up 1.81 at 291.73.

In London, the ISE-Nikkei 50 index rose 2.06 to 1,658.64.

Construction issues were mixed as the market digested the latest failure in the sector, Daito Kogyo. Leading shares drew strong buying interest, while small and medium-sized companies tumbled. Shimizu rose Y34 to Y637 and Kajima Y23 to Y636. But Tobishima fell Y2 to Y165, Fujita Y6 to Y108 and Aoki Y3 to Y72. Daito Kogyo, which will be delisted from the TSE in November, was at Y57.

Blue chip electrical and high technology stocks mostly advanced, helped by stable foreign exchange rates and the better tone on Wall Street. Sony rose Y400 to Y11,400, Kyocera Y100 to Y8,930 and Canon Y50 to Y3,610. TDK, however, fell Y10 to Y9,830, Fanuc Y50 to Y4,900 and Tokyo Electron Y70 to Y7,340. Among banks, Daiwa Bank ended Y54 higher at Y685 after reaching an intra-day high for the year of Y691. Sakura Bank, the day's most active issue, gained Y15 to Y758 in spite of its losses as Daito Kogyo's main bank. Long-Term Credit Bank of Japan gained Y17 to Y613.

In Osaka, the OSE average rose 90.80 to 20,116.11 in volume of 32m shares.

HONG KONG rallied strongly in record volume as sentiment swung back on to the upside after a two-day decline of more than 6 per cent. The Hang Seng index gained 378.41 or 2.4 per cent to 15,855.67 on turnover of HK$36.1bn.

Worries about the stability of the Hong Kong dollar faded, sparking a strong rebound for property shares. Sung Hung Kai rose HK$3.75 to HK$98.00 and Cheung Kong HK$2.25 to HK$89.50. Red chips and H shares also rebounded. The red chip index jumped nearly 8 per cent while the H-share index advanced 13.2 per cent.

SINGAPORE rose on news of better than expected exports and was helped by Wall Street's rally. The Straits Times Industrial index closed 25.39 higher at 1,943.92 in active trade.

A rise of almost 7 per cent in non-oil exports in July gave a fillip to the market. Brokers were also cheered by the fact that currency speculators were holding off after a wave of attacks in the region.

Bank shares were among the biggest gainers, with United Overseas Bank rising 80 cents to S$14.20.

TAIPEI was spurred by Wall Street. There was renewed interest in high-technology shares and the weighted index closed 142.71 up at 9,855.16, near the day's peak of 9,856.59 in moderate turnover.

Electronics shares appeared to have shaken off a bout of profit-taking. The sector jumped 4.2 per cent, with microchip giant Taiwan Semiconductor gaining T$5 to T$157.

MANILA reversed an eight-day losing streak to close with the composite index 39.39 or 1.7 per cent higher at 2,408.06. PLDT rose 4.8 per cent to 880 pesos, but the property sector stayed weak. Ayala Land was the day's most active stock, slipping 50 centavos to 17.75 pesos.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	Tue Aug 19 1997: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	Mon Aug 18 1997: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar index: 52 week High	52 week Low	Year ago (approx)
Australia (76)	228.12	0.1	210.56	170.43	217.79	205.24	0.0	3.75	228.00	209.85	169.69	216.01	205.27	243.87	200.17	205.35
Austria (25)	195.22	2.0	180.20	145.86	186.38	186.27	2.8	1.76	191.33	176.10	142.40	181.27	181.16	206.00	174.70	179.36
Belgium (28)	237.72	0.3	219.43	177.61	226.96	222.42	1.1	3.07	237.01	218.14	176.39	224.54	220.04	261.11	213.92	216.29
Brazil (30)	270.51	–0.7	249.70	202.10	258.26	542.39	–0.6	1.36	272.43	250.74	202.75	258.09	545.68	322.44	172.54	180.26
Canada (126)	215.37	1.0	198.80	160.91	205.62	217.22	1.3	1.71	213.17	196.20	158.65	201.95	214.37	224.03	161.43	161.43
Denmark (32)	383.24	0.2	353.75	286.33	365.89	364.60	1.0	1.50	382.33	351.89	284.55	362.22	360.96	421.25	316.97	318.30
Finland (28)	299.10	0.7	276.09	223.47	285.56	344.84	1.4	1.59	297.11	273.46	221.13	281.48	340.26	314.06	205.98	207.86
France (93)	224.88	1.4	207.58	168.01	214.70	218.22	2.1	2.41	221.79	204.13	165.06	210.12	213.70	237.57	187.42	188.04
Germany (59)	225.04	1.5	207.73	168.14	214.85	214.85	2.3	1.33	221.73	204.08	165.02	210.06	210.06	238.42	172.93	176.35
Hong Kong, China (66)	534.33	–3.6	493.21	399.21	510.13	530.93	–3.6	2.90	554.14	510.02	412.42	524.98	550.72	580.03	421.41	429.64
Indonesia (27)	170.87	2.9	157.72	127.66	163.13	298.22	–1.8	2.18	166.14	152.91	123.65	157.40	303.73	254.90	166.14	184.74
Ireland (17)	371.64	0.1	343.04	277.66	354.81	359.54	1.0	2.71	371.28	341.70	276.31	351.73	356.09	376.16	284.36	287.06
Italy (53)	97.71	0.3	90.19	73.00	93.29	130.83	1.0	1.82	97.41	89.65	72.49	92.28	129.52	105.79	73.26	75.61
Japan (485)	128.91	–0.9	118.91	97.06	124.02	97.06	–0.6	0.81	131.13	120.69	97.59	124.23	97.59	149.58	107.57	148.08
Malaysia (107)	387.40	1.0	367.59	289.44	369.86	415.30	0.5	1.68	383.53	353.00	285.44	363.35	413.22	660.85	383.53	546.21
Mexico (27)	1807.12	2.2	1668.07	1350.15	1725.29	15320.47	1.9	1.46	1767.67	1626.94	1315.58	1674.67	15027.53	1864.38	1136.59	1274.02
Netherlands (19)	412.79	2.9	381.02	308.40	394.09	389.61	3.7	2.01	401.12	369.19	298.53	380.02	375.69	431.86	297.04	301.94
New Zealand (14)	88.82	0.9	81.98	66.36	84.79	73.46	1.1	3.96	88.03	81.03	65.52	83.40	72.63	96.47	82.94	83.08
Norway (41)	318.47	0.4	293.97	237.94	304.05	330.57	1.1	1.86	317.20	291.95	236.08	300.51	326.89	330.72	247.75	247.75
Philippines (22)	124.51	–0.6	114.93	93.02	118.87	187.70	0.0	1.11	125.23	115.26	93.20	118.64	187.70	214.07	124.51	200.36
Singapore (42)	331.08	0.3	305.61	247.36	316.09	230.64	0.0	1.34	329.94	303.67	245.56	312.58	230.58	449.01	329.94	387.90
South Africa (44)	341.79	–0.1	315.49	255.36	326.31	351.04	0.2	2.42	342.17	314.93	254.66	324.17	350.24	370.12	301.49	320.66
Spain (33)	243.05	1.1	224.35	181.59	232.05	285.89	1.8	2.32	240.34	221.21	178.87	227.70	280.52	276.05	173.01	175.50
Sweden (48)	493.62	1.0	455.64	368.79	471.27	589.40	1.9	1.75	488.53	449.63	363.59	462.82	578.29	512.39	352.11	352.11
Switzerland (33)	298.91	2.7	275.91	223.32	285.37	280.58	3.0	1.19	291.02	267.85	216.59	275.71	272.49	329.58	231.69	247.94
Thailand (42)	50.96	–5.7	47.04	38.07	48.65	64.68	–3.7	4.77	54.01	49.71	40.20	51.17	67.19	146.69	47.55	138.75
United Kingdom (213)	311.16	1.2	287.22	232.47	297.07	287.22	1.5	3.47	307.43	282.96	228.81	291.26	282.96	325.28	241.83	241.83
USA (637)	376.00	1.4	347.06	280.92	358.97	376.00	1.4	1.64	370.66	341.15	275.87	351.16	370.66	389.67	254.75	271.40
Americas (820)	343.53	1.4	317.10	256.66	327.98	289.42	1.4	1.64	338.79	311.82	252.14	320.96	285.39	356.35	242.47	248.13
Europe (713)	272.14	1.4	251.20	203.32	259.81	264.07	2.0	2.41	268.25	246.89	199.64	254.13	258.90	284.44	212.81	213.22
Nordic (150)	418.73	0.8	386.51	312.84	399.77	436.13	1.6	1.70	415.39	382.32	309.15	393.53	429.17	437.88	307.34	307.34
Pacific Basin (881)	146.49	–1.1	135.22	109.45	139.86	110.60	–0.6	1.31	148.07	136.28	110.20	140.28	111.51	163.27	127.18	161.36
Euro-Pacific (1594)	198.94	0.3	183.63	148.63	189.93	168.25	0.8	1.94	198.24	182.45	147.54	187.81	166.96	209.12	173.55	182.85
North America (763)	366.00	1.4	337.84	273.45	349.43	365.40	1.4	1.64	360.86	332.15	268.58	341.89	360.24	379.38	258.56	264.65
Europe Ex. UK (500)	244.95	1.6	226.10	183.01	233.86	244.75	2.3	1.81	241.12	221.93	179.46	228.44	239.30	256.73	191.01	192.84
Pacific Ex. Japan (396)	291.17	–1.5	268.76	217.54	277.98	264.25	–1.6	2.88	295.52	271.99	219.94	279.97	268.66	320.65	280.77	263.21
World Ex. US (1821)	202.97	0.4	187.36	151.65	193.78	175.08	0.8	1.92	202.20	186.10	150.48	191.56	173.72	212.89	175.94	184.02
World Ex. UK (2245)	253.20	0.8	233.71	189.17	241.73	227.20	1.1	1.80	251.06	231.07	186.85	237.85	224.64	262.69	204.12	208.15
World Ex. Japan (1973)	323.67	1.2	298.77	241.82	309.02	318.53	1.4	1.97	319.74	294.28	237.96	302.92	314.11	334.83	242.70	245.41
The World Index (2458)	258.20	0.9	238.33	192.91	246.51	232.79	1.1	1.79	255.93	235.55	190.47	242.46	230.27	267.21	207.64	211.09

Latest prices were unavailable for this edition. Market closed 19/8/97: Philippines.